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Ill-prepared for European challenge
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World News

Death toll tops 600 as rebels circle San Salvador

El Salvador's left-wing rebels, the FMLN, tried to encircle the country's capital, San Salvador, as fighting – thought to have cost more than 600 lives – spread to the western approaches to the city in the latest phase of the 10-year civil war. Page 20

Gorbachev support
President Mikhail Gorbachev has thrown his personal authority behind the reforms in East Germany, confirming his country's support for Egon Krenz's decision to open the Berlin Wall. Page 20

Brazilians vote
Brazilian voters went calmly to the polls to vote in the first round of the first presidential election outside Congress for 29 years. Page 5

E German orders
East German officials who are being blamed for the political excesses under the deposed leader, Mr Erich Honecker, say they only carried out "orders from above." Page 2

Bolivian siege
Bolivia's centre-left government declared a state of siege and took emergency powers to end a teachers' pay strike. Page 5

Nujoma co-operation
Sam Nujoma, independent Namibia's likely first president, stressed his desire to co-operate with rival parties in on the constitution. Page 4

Italian compromise
A political compromise over the future ownership of Italy's public banks has opened the way for parliament's lower house to pass an important privatisation law by the end of the month. Page 2

Bofors scandal
The Bofors scandal over payoffs by the Swedish armaments company for a $1.2bn contract to supply India with howitzers took an unusual turn when the associate editor of The Hindu of Madras sent a legal notice to the Congress party spokesman. Page 4

Sri Lanka killing
Vigilante death squads in Sri Lanka shot dead 55 people in their hunt for left-wing rebels, military sources said. Budget, Page 4

Soviet pit plea
Striking Soviet coal miners were begged by a leader of their official trade union not to break away and form an independent union movement. Page 2

Zhivkov plan
Details are emerging of the shadowy events that led to the replacement of Bulgaria's veteran leader, Todor Zhivkov, by the former Foreign Minister, Petar Mladenov, in a palace coup. Page 3

Hard-line protest
Supporters of a hard-line former general linked with a massacre by the military in Kwangju, South Korea, staged a mass rally in protest at the reformist leadership of President Roh Tae Woo. Page 4

Dissidents freed
A Czechoslovak court has let four leading dissidents go free after trying them for inciting citizens to mark the 21st anniversary of the 1968 Soviet-led invasion of Czechoslovakia.

Business Summary

IBM relies on personal computers for growth

IBM personal computers are overtaking big mainframes as the largest source of revenues at International Business Machines, in a dramatic turn with deep implications for the company, which has dominated the world's computer industry for 30 years. Page 21

WEST German Government officials said public finances would this year comfortably absorb the extra spending arising from events in East Germany. Page 20, Berlin bank, Page 2

CARLTON Communications, fast-growing UK television services company, is expected to announce a joint venture with Paramount, the successful Hollywood film production company. Page 21

SAAB-Scania and Fiat are discussing a merger of the Swedish group's loss-making Saab car division with the Italian group's Lancia division. Page 21

ELDERS IXL, Australian brewing group, does not expect to sell its 23 per cent holding in Scottish and Newcastle, UK brewer, in the near future and has deferred flotation of its international brewing interests. Page 21

DRESSER Industries, Dallas-based engineering group, announced it would offer nearly $440m in cash and shares to buy Smith International, oilfield services company based in Houston. Page 24

BRITISH Airways reported record first half pre-tax profits of $409m but warned of problems caused by higher fuel costs, late delivery of new Boeing aircraft and European air traffic delays. Page 21

OLIVETTI shareholders have failed fully to subscribe to the Italian office equipment company's capital increase, designed to raise $334m. Page 22

GREECE is offering a three-year 10 per cent bond index-linked to the Ecu. It will be the country's fifth Ecu bond issue in the past seven months. Page 27

ANZ McCaughan of London said severe overcapacity in the UK equity market forced it pull out with the loss of 150 jobs. Page 10

SEA Containers, ferry and container group fighting a hostile Anglo-Swedish bid, increased third quarter net earnings by 19 per cent to $73.8m. Page 24

SEARS, ROEBUCK, US retailing and financial services group, said it was to raise an $815m mortgage on the Sears Tower, after its failure to find an outright buyer for the tower in Chicago. Page 24

NEWS Corporation, owned by entrepreneur Rupert Murdoch, slashed first quarter profits following the costs of Sky Television, Australian pilots' dispute and sharply higher interest rates. Page 24

EUROPEAN Commission's proposals for a capital adequacy directive for securities businesses have been substantially amended in the wake of criticisms from firms based principally in the UK. Page 27

US Government and 140 Japanese construction companies are trying to negotiate an out-of-court settlement of a dispute over allegations of rigging bids and overcharging for work on US military bases near Tokyo. Page 6

VOLKSWAGEN, West German motor group, saw profits rose by more than 40 per cent. Turnover was 12 per cent higher at $25bn. Page 22.

UK engineering dispute may be resolved in talks over a shorter working week.

Walesa seeks Marshall Plan for Eastern Europe

By Lionel Barber in Washington

MR LECH WALESA, leader of Poland's Solidarity trade union, called yesterday for a new Marshall Plan to rebuild the "bankrupt" countries of Eastern Europe, in an historic address to a joint session of the US Congress.

Mr Walesa, who led Solidarity's peaceful march to power, said Poland's economy was on the verge of "utter catastrophe". But, he argued, it could be rescued if the US took the lead in promoting large-scale assistance and investment.

After a standing ovation, Mr Walesa, 1983 Nobel Peace Prize winner, began his speech with the declaration: "We the People," the opening words of the Cnstitution. He went on to pay tribute to the American democratic tradition, to American economic power and to American idealism. This, he said, was summed up by the Marshall Plan which helped Western Europe protect its freedom after the Second World War.

"Now is the moment when Eastern Europe awaits an investment of this kind – an investment in freedom, democracy and peace – an investment adequate to the greatness of the American nation."

In the past, Mr Walesa has expressed disappointment at the level of US aid, but his time he switched tack. He recalled that after the Second World War, on the order of Josef Stalin, the Soviet dictator, Poland was unable to take part in the Marshall Plan and the promise of free elections in Poland after the war was never fulfilled. "We were abandoned by the Allies," he said.

Today, Mr Walesa suggested, Poland and the Solidarity-led Government were in the vanguard of democratic reform in Eastern Europe. He appealed to the US and the West to recognise and take advantage of the historic changes:

"All the countries of Eastern Europe are bankrupt today... the Communist economy has failed in every part of the world," he said, noting the mass exodus from Communist countries around in the world.

It was only the second time that a non-head of state or government had been invited to address a combined meeting of the House and Senate, although Winston Churchill did so when not prime minister. The first was the Marquis De Lafayette, the French hero of the American Revolution, in 1824.

Mr Walesa's speech came on the second day of a week-long trip to the US hosted by the AFL-CIO, the American labour federation.

On Tuesday night, the US Senate approved unanimously a three-year, $657m aid programme for Poland, including emergency food assistance and a $200m fund to help to stabilise the currency.

● The European Community yesterday discused the possibility of balance of payments loans to Poland and Hungary when finance and central bank officials of the Twelve met in Brussels, David Buchan adds.

Officials 'only obeyed orders,' Page 2; One vote toppled Zhivkov, Page 3; W German growth and Gorbachev on reunification, Page 20

Sharp slowdown in UK growth forecast by cautious Major

By Peter Norman, Economics Correspondent, in London

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● The fat man, the straight man and a miracle PAGE 8
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MR JOHN MAJOR, UK Chancellor of the Exchequer, yesterday forecast a sharp slowdown in British economic growth next year with domestic demand stagnant and retail price inflation staying above 7 per cent until the middle of 1990.

In a cautious and down-to-earth Autumn Statement, Mr Major disclosed that the Government would be unable to keep spending within previously agreed limits in the current financial year to the end of March and outlined a 2.1 per cent inflation-adjusted increase in overall public spending in 1990-91.

Mr Major was appointed last month following the surprise resignation of Mr Nigel Lawson.

In the coming financial year, overall public spending will rise to £210.4bn ($332.2bn) from £196.3bn in the current financial year. Next year's planned spending is well up on the £205bn projected in last year's Autumn Statement and considerably more than forecast by independent analysts.

Public spending (less privatisation proceeds) is forecast to rise to 39 per cent of gross domestic product in the next financial year from 38.75 per cent this year – the first such rise since 1984-85.

Although spending as a share of GDP will be lower than expected this year and is due to resume its downward path in 1991-92, the forecast for 1990-91 represents a setback for the Government's policy of reducing the share of the public sector in the economy.

Mr Major's address to the House of Commons, making clear that growth would fall next year to levels unseen since the recession of the early 1980s, was his first significant statement about the economy since Mr Lawson's resignation.

The new Chancellor underlined that the Government's "main priority" was "to bring inflation decisively down, and keep it down." He rejected opposition charges that the economy was heading for recession. With an eye on financial markets, he forecast a substantial decline in Britain's current account balance of payments deficit to £15bn in 1990 from an estimated £20bn this year.

At the same time, Mr Major went a considerable way to meeting demands for increased government spending on public services. He announced a £2.4bn increase in spending on the National Health Service in the 1990-91 financial year; extra financing for railways, particularly in the London area, and national roads; the allocation of £250m over the next two years to a new initiative to tackle homelessness and a £500m boost in resources for higher education next year.

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GE pays $150m for 50% stake in Hungarian group

By Charles Leadbeater, Industrial Editor, in London

GENERAL Electric of the US yesterday made the boldest move yet by a Western company into Eastern Europe by announcing it intends to pay about $150m for a 50 per cent stake in Tungsram, the Hungarian lighting manufacturer.

GE's move, which is the biggest inward investment in Eastern Europe to date, could be the first of a series of investments by Western companies. It amounts to the privatisation of one of the most successful manufacturing companies in Eastern Europe.

General Electric also said it had reached preliminary agreement on two joint ventures in the Soviet Union involving power generation and medical systems. It is considering further moves in Hungary after receiving an enthusiastic reception from government officials during intensive negotiations over the past two months.

The investment is the clearest signal yet of how political change in Eastern Europe could redraw the contours of European industry.

GE plans to use its stake in Tungsram to boost significantly its share of the European lighting market which is dominated by Philips, the Dutch electronics company, Osram, which is jointly owned by GEC and Siemens, and Thorn-EMI, the British company.

The Tungsram deal means GE's strategy of strengthening its position in the global lighting industry has in the last year extended to the Far East and Eastern Europe. In January it launched a lighting joint venture with Toshiba of Japan, which involves construction of a fluorescent tube plant in the US.

General Electric said Tungsram would provide skilled engineers, a committed workforce and relatively low labour costs to expand its share of the European market from about 3 per cent to more than 10 per cent.

It hopes to double Tungsram's exports to Europe. Tungsram has about 5 per cent of the world lighting market, exporting between one-third and one-half of its £190m a year turnover.

Industry estimates put Tungsram's share of the European market at 8 per cent. It has about 4 per cent of the UK market, compared with GE's 1 per cent.

General Electric said it will increase its holding from 50 per cent to 70 per cent should the expansion plans prove successful.

The deal, which is expected to be finalised next month, goes further than most other joint ventures in Eastern Europe, which have concentrated on sales and distribution rather than manufacturing.

General Electric will provide Tungsram with sophisticated production technology and management expertise to introduce just-in-time production, better training, shorter product cycles and separate profit centres. GE plans to interchange small teams of managers, with the eventual aim of fully integrating Tungsram into GE's operations.

Tungsram, employs about 18,000 people in 11 factories in Hungary and a plant in Vienna, Austria.

Markets react favourably, pound holds up

By Patrick Harverson, Economics Staff, in London

REACTION from UK financial markets to the Autumn Statement was muted but generally favourable. The pound held up relatively well on the foreign exchange markets, while government bonds and share prices eased only slightly.

The City of London welcomed the Treasury's cautious forecast for the UK economy next year as a return to realism in Government forecasting. The Treasury has been criticised in recent years for taking an over-optimistic line.

Mr Andrew Smith, economist at Laing & Cruickshank, described the Statement as a "triumph of experience over hope."

There was a positive response from the Confederation of British Industry. Mr John Banham, director general of the CBI, said that the Chancellor's statement reflected a realistic picture of 1990 prospects.

However, Mr Banham reiterated his warning against talking the economy into an unnecessary recession.

City analysts believed the Treasury's cautious forecasts on inflation and the current account deficit for next year were intended to signal to the financial markets that interest rates would remain high until well into next year.

There was disquiet in the City over the larger than expected rise in Government spending plans.

Mr Richard Jeffrey, senior economist at Hoare Govett, said: "Given the economic data we've had recently, the Statement can only encourage the view that in the near term it is quite likely that the UK could go into recession."

At the close of trading in London, the pound was 1½ pfennigs lower against a strong D-Mark at DM2.9075, but nearly a cent higher against the dollar at $1.5485. The FT-SE 100 share index finished the day down 11.3 at 2,203.4.

Philip Stephens writes: At a press conference afterwards, the Chancellor, Mr John Major, said his goal remained to reduce the basic rate of income tax from 25p to 20p. He resisted strongly, however, any suggestion that there was any timetable for that target.

The Statement won him a warm reception from Conservative MPs, but Mr John Smith, Labour spokesman, said the latest forecasts showed that the Government's claim of an "economic miracle" had turned out a hollow sham.

Brussels threatens legal action over French aid to Renault

By Lucy Kellaway in Brussels and William Dawkins in Paris

THE EUROPEAN Commission threatened yesterday to take the French Government to court over the granting of state aid to Renault, the state-owned car company, for not abiding by a 1988 agreement to cut assembly plant capacity.

It has given France three months to come up with a new restructuring plan, and has warned that if the response is not satisfactory, it will press ahead with plans to force Renault to repay FFr12bn ($1.9bn) of the FFr20bn aid.

French officials had no formal comment on the ruling, though it seems certain that France will either appeal against the ruling or buy more time by submitting new plans within the three-month deadline.

In March 1988 Paris agreed to change the privileged status of the company, under which it was protected from bankruptcy.

It also agreed to cut car capacity by 15 per cent between 1986 and 1989, and truck capacity by 30 per cent by the end of 1990.

Since then France has reneged on its agreement on the company status, although it has agreed to some changes which are broadly acceptable to the Commission and which put Renault on a similar basis to private French companies.

The commission argues that the actual reductions in capacity have been inadequate, amounting to about 4 and 9 per cent respectively for cars and trucks.

It is unclear what compromise proposal would be acceptable, although it would be likely to take the form of a lower aid repayment in return for a new restructuring plan.

Commission officials denied that the repayment of the money would put an undue stress on the company, citing the improvement in its profits, expected this year at least to equal the 1988 level of FFr8.9bn.

Renault executives feel the Commission cannot reasonably hold the group to a precise target for capacity cuts because of the strong recovery in the European car market since the aid plan was agreed last year. They claim that no percentage capacity reduction was specified in any written agreement with Brussels.

The Renault group has already worked hard at cutting out surplus capacity, they add.

It cut its workforce by more than 37,000 in the past five years, during which time its share of the European car market has dropped from 12.6 per cent to 10.2 per cent.

Renault officials note that borrowings now stand at FFr23.8bn, or 170 per cent of shareholders' funds, and this is after the Government's FFr12bn debt write-off.

But Commission officials maintain that even if the debt is reinstated, Renault would be less heavily geared than several other of Europe's leading car companies.

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MARKETS

STERLING
New York lunchtime:
$1.579
London:
$1.582 (1.5815)
DM2.9075 (2.9225)
FFr9.8825 (9.925)
SFr2.5875 (2.58)
Y227.25 (same)
£ index 88.7 (89.1)

GOLD
New York: Comex Dec
$392.8 (394.9)
London:
$391.25 (389.25)

N SEA OIL (Argus)
Brent 15-day Jan
$18.4 (18.45)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.843
FFr6.2815
SFr1.62725
Y143.865
London:
DM1.8385 (1.8485)
FFr6.2475 (6.275)
SFr1.623 (1.632)
Y143.7 (143.65)
$ index 69.7 (70)
Tokyo close: Y143.37

US LUNCHTIME RATES
Fed Funds $8\frac{5}{8}$%
3-mo Treasury Bills: yield: 7.92%
Long Bond: $103\frac{1}{32}$
yield: 7.853%

STOCK INDICES
FT-SE 100:
2,203.4 (−11.3)
FT Ordinary:
1,759.4 (−11.4)
FT-A All-Share:
1,107.17 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,618.24 (+7.99)
S&P Comp
338.71 (+0.72)
Tokyo: Nikkei
35,852.23 (+83.59)

LONDON MONEY
3-month Interbank:
closing $15\frac{1}{32}$% ($14\frac{31}{32}$)
Liffe long gilt future:
Dec $91\frac{7}{8}$ ($92\frac{1}{32}$)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

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Everyone is a loser from Australian pilots' strike

According to Mr Bob Hawke, the Prime Minister, there is no longer an industrial dispute. But for air travellers his claim is absurd. Of the parties involved not one has emerged with honour. Page 4

Soviet rationing feared within twelve months

By Quentin Peel in Moscow

THE Soviet Union will be forced to introduce a comprehensive system of rationing, spelling an end to hopes of economic reform, if the present economic decline is not stopped within a year, Mr Mikhail Gorbachev's top economic adviser said yesterday.

Dr Leonid Abalkin, the deputy Prime Minister in charge of economic reform, put his personal reputation behind a comprehensive long-term strategy for the introduction of a market system – while warning of a sharp conservative backlash.

He was speaking at the end of a three-day debate, involving more than 1,400 economists, scientists and enterprise managers, on a programme which constitutes the first real attempt to give a long-term view to the perestroika process.

It is supposed to form the basis for a package of emergency measures to tackle the Soviet economic collapse, to be presented to the second session of the Congress of People's Deputies, the country's new super-parliament, next month.

Dr Abalkin admitted that conservative resistance to his package was much stronger than he had expected, and that radical criticism was less drastic. There was no consensus at the end of the conference that it was the right strategy.

He warned that if the programme was eventually rejected by the Congress, "then let them find someone else who can pursue a better programme".

The Abalkin plan has been presented as a middle way of transition to a form of "socialist market", rejecting both conservative and radical solutions. It would rely on a form of wage restraint and only gradual introduction of price reform, combined with a comprehensive social security programme, to ease the upheaval of transition from a centrally planned economy.

It spells out a four-phase programme, involving also tax reform, gradual reduction of state ownership of property, overhaul of the banking and financial system, and introduction of a labour market, as part of the transition.

Dr Abalkin rejected calls for partial rationing as part of the "social protection" to ensure that the lowest paid do not suffer from inevitable inflation. "There is full agreement that it is unreasonable, and it is not in our programme," he said, but warned: "If we do not manage our programme, and do not stabilise the economy in the next year, a rationing system would become inevitable, and this would be an end to reform."

Italy clears way for vote on bank privatisation

By Sari Gilbert in Rome

A POLITICAL compromise over the future ownership of Italy's public banks has opened the way for Parliament's lower house to pass an important privatisation law by the end of the month. The compromise accepted the principle of majority state ownership but agreed on procedures for exceptions.

The law, which will also require Senate approval, sets out how the banks are to be sold off but requires that the state retain at least 51 per cent.

The draft bill has been held up for several weeks in Parliament's Finance Commission by a sharp disagreement between Christian Democrats and Socialists about whether to allow exceptions to that rule. Yesterday, however, the parliamentary whips of the five main parties agreed at a meeting with Mr Guido Carli, the Treasury Minister, on a system of exceptions – authorised by the cabinet on the proposal of the Bank of Italy – that would be applicable to all banks.

Mine union chief pleads with Siberia strikers

By Quentin Peel

STRIKING Soviet coal miners were yesterday begged by a leader of their official trade union not to break away and form an independent union.

He also promised that a top-level meeting this week would consider the key question of raising the pithead price of coal, arguing that it would have to be tripled if Soviet coal mines were to become economically viable.

Mr Valentin Medvedev, a central committee secretary of the official Miners' Union, issued his plea at a press conference by striking miners from the Vorkuta coalfield in the Arctic Circle.

It shows how seriously the authorities are taking the threat of an independent labour movement emerging from the miners' strike committees, which are meeting again at the weekend.

Representatives of strike committees from all the Soviet coalfields will gather in Novokuznetsk, in western Siberia, to decide their strategy for the next Miners' Union congress – and whether or not to set up a parallel movement.

Two of the 13 pits in Vorkuta have voted to leave the official trade union, and ballots are being held at all the 12 pits on strike, according to strike committee leaders from the town.

Mr Medvedev urged the miners not to break the unity of the "working movement" and the solidarity of their own trade union.

His appeal was greeted with open scepticism by the Vorkuta miners, who spelt out their anger with the Soviet government, their mine management, and the trade union for ignoring their political and economic demands.

They also dismissed appeals from Mr Nikolai Ryzhkov, the Soviet Prime Minister, to go back to work.

The miners said they were striking not just for improvements for themselves, but for all the workers in the coalfield, "including low-paid workers like doctors and teachers who cannot fight for themselves."

A key economic demand by the miners is to sell coal where they will, for hard currency.

E German officials say they were only obeying orders

By Leslie Colitt in Berlin

EAST GERMAN officials who are being blamed for the political excesses under the deposed leader, Mr Erich Honecker, say they only carried out "orders from above."

Their situation is not unlike that of many Germans after the Nazi defeat in 1945. The case of six teenagers thrown out of the Carl von Ossietzky school in East Berlin last autumn for "anti-socialist" actions is one of many now being publicly aired under pressure of the growing opposition movement.

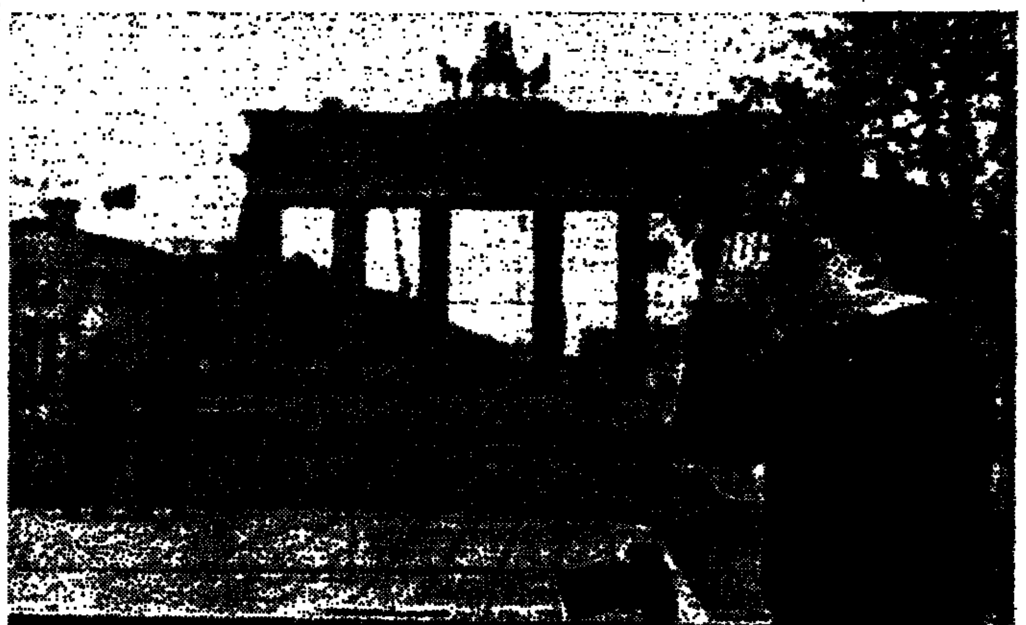
The 16-year-olds were among 37 students who signed a protest letter against the annual military parade in East Berlin on the October 7 anniversary of the state's founding. The six refused to recant despite intense pressure from the school director, Mr Reiner Forner.

They were summoned to an assembly of all students who looked on in horror as Mr Forner called each of them forward and castigated them as "enemies" of the socialist state and ordered them to leave the school. Today, Mr Forner is being massively criticised as a callous hardliner, typical of the party careerists who flourished over the past 40 years.

Mr Forner, however, said he acted only under "enormous pressure" from above. He was summoned to the Education Department after the protest letter and ordered by officials to "push forward" the situation to a conclusion. One of the officials, Ms Rotrand Stier, and, retorted indignantly that no pressure was put on Mr Forner who made his own decision.

Teachers at the school which is located in the middle-class suburb of Pankow note that the expulsion of the students was typical of the dogmatic educational system run by Mrs Margot Honecker, the Public Education Minister and wife of the East German leader. She stepped down shortly after her husband was forced to resign.

Opposition members say Ms Honecker, a trained telephone operator, was responsible for the exodus of "tens of thousands" of young East Germans who were subjected to the intolerant school system. But the name of East Germany's new leader, Mr Egon Krenz, is also frequently mentioned at the Ossietzky school. He was then politburo member responsible for security and is said to have urged a tough line against the students who were critical of the militarisation of East German life.



A US soldier takes a closer look at Berlin's still-closed Brandenburg Gate

E Berlin group seeks end to Communist Party role

By Leslie Colitt

EAST GERMANY'S maverick Liberal Democratic Party (LDPD) shook the embattled Communist leadership by announcing it would introduce a bill to abolish the leading role of the Communist Party at a meeting of parliament tomorrow.

Mr Manfred Gerlach, the Chairman of the LDPD, said a referendum should be held on electoral reform which would enable free elections to be held next year.

He predicted that the ruling Socialist Unity (Communist) Party (SED) could lose its majority. The LDPD, long a trusted ally of the Communists, has shown growing independence in recent months.

SED officials said recently that the party might give up its leading role which is laid down in Article 1 of the constitution and merely describe East Germany as a "socialist" state. SED strategists foresaw a coalition government with the four existing parties and the opposition after free elections.

Only such an alliance would secure the rule of the badly weakened Party they believed. The small parties allied with the SED negotiated yesterday with the new Prime Minister, Mr Hans Modrow, to play a greater role in his government.

They demanded more than the two ministries being offered each of them. Mr Modrow, a reformer who took over the Government last Monday, wanted to slash the number of ministries from 40 to less than 30.

The Liberal Democrats were holding out for at least three ministries including the key justice post. Mr Siegfried Wittenbeck, the State Secretary in the Justice Ministry, signalled a wide-ranging reform of the legal system including political crimes.

Aid conditions underscored

By David Goodhart in Bonn

COMMERZBANK, one of West Germany's big three banks, said yesterday it was examining the possibility of opening a branch in East Berlin.

Meanwhile, Bonn has again stressed the tough conditions it was placing on economic aid for East Germany after a meeting of senior ministers, chaired by Mr Helmut Kohl, which has been preparing for the Chancellor's meeting next month with Mr Egon Krenz, the East German leader.

Mr Hans Klein, the government spokesman, said that concrete offers of aid were not likely to come at the first meeting. The three pre-conditions of such aid were: free elections, parties, press and trade unions; the outline conditions for market-based economic reform; and free movement in both directions across the border.

But even without these conditions being met in full some stepping up of infrastructural aid is expected. Improvement of East Germany's creaking telephone system is expected to be one of the priorities for such aid, no doubt prompted by the difficulties that West German officials have had in getting through.

The ground of dispute between the main parties in Bonn is now shifting away from the different emphasis they place on German unity to how strict the conditions for economic aid should be. Mr Hans-Jochen Vogel, Social Democrat leader, has warned against placing the hurdles too high and other leading figures in the party have said that it is quite wrong to make the introduction of a market economy a precondition of aid.

Mr Kurt Biedenkopf, a leading Christian Democrat, yesterday proposed that West German workers and employers should contribute one day's wages a year to a special solidarity fund for economic renewal in East Germany.

Vatican urges prevention of AIDS

By Sari Gilbert in Rome

POPE JOHN PAUL the Second, yesterday wound up a three-day Vatican scientific conference on AIDS by urging renewed efforts to prevent the further spread of the disease and help care for those stricken with it.

The three-day conference organised by the Pontifical Council for Pastoral Assistance to Health Care Workers represented the first occasion in which the Holy See has formally and publicly addressed itself to the AIDS issue.

But the meeting in the Vatican's Synod Hall, attended by more than 1,600 prelates, doctors, nurses and scientists from 85 different countries, produced no scientific breakthroughs.

Furthermore, it dramatised the differences between the Church's position and that of most lay organisations. Although there was little open dissent, some participants – including several AIDS victims – criticised the conference for a lack of real debate and openmindedness.

EUROPEAN NEWS

Earthquake in East releases cascade of loose talk in West

IAN DAVIDSON
ON EUROPE

SOMETIMES POLITICAL leaders lose control of events, and then the people take over. Sometimes, political leaders lose control of their tongues, and then events take over. Right now, the situation in central Europe looks pretty chaotic. But sooner or later the political leaders will have to regain control both of their tongues and of events.

Shaken by the earthquake in East Germany, the West has been inundated by a flood of dangerously loose talk. Some have proclaimed that the reunification of the Germanys is now inevitable, and merely waits on the good pleasure of the East Germans. Others seem convinced that East German membership of the European Community is equally inevitable.

In fact, neither of these propositions is self-evident or inevitable. Indeed, it is imprudent and narrow-minded to pretend that we can yet be sure of *any* self-evident or inevitable conclusion to the torrent of change in the Soviet Union and Eastern Europe.

There may be some features of the European scene which are relatively fixed and solid and some recent changes which prove irreversible. But in general, the changes are so profound, so multi-dimensional, and so *unplanned* that no-one can yet foresee how the game will play itself out. Moreover, we are talking about geo-strategic shifts which might affect the stability, and possibly the peace, of the world.

George Kennan, one of the fathers of US thinking about the Soviet Union, puts the point forcefully. He writes that the problem facing us "involves not just the designing of a new status quo for... part of Europe, but also the working out of a new political, economic and security framework for much of the remainder of the continent... it will not be accomplished at any one time, or subsumed in any single document or settlement." Even unthought-through discussions could prejudice later solutions.

The upheaval in East Germany has broken down the barriers between the two states, and popular pressure may carry the country a long way towards political reform. But that is precisely the point: the top of the vocal agenda in East Germany is internal reform, not reunification. The order may well be reversed in time, but for the moment, it is only in the West that it is constantly on the lips of political leaders and commentators: in the West German Christian Democrat party, out of fear of the extreme right-wing Republicans, and in France out of fear of the Germans.

Western politicians only make matters worse when they appear determined to drive the question higher up the East German agenda, by claiming that reunification is merely a matter of self-determination for the East Germans. Self-determination is a cardinal feature of the Western value system. Moreover, the aspiration to reunification is written into the West German constitution. But it would be hard to argue that East German self-determination has a priority which overrides all other considerations, including the interests of everyone else.

The division of Germany has been embedded in the rival security systems of Eastern and Western Europe, and is thus an integral part of a geo-strategic balance which has avoided war for 45 years.

Article 1 of the UN Charter puts self-determination in a broad context: "to develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to take other appropriate measures to strengthen universal peace." By most measures, the strengthening of peace in Europe, and the improvement of the human rights situation in East Germany, ought both to have higher claims on the assent of the rest of the world than reunification.

Fortunately, Chancellor Helmut Kohl has at last had the courage to refer publicly to the limits to self-determination. If Germany's division is anti-historical, implausible and unjust, he said on Monday, it is also "anti-historical and implausible to assert that it is a matter for the Germans alone."

Similarly, it is premature to assume that East Germany must automatically join the European Community. For starters, EC membership is restricted to democracies with a reasonable human rights record. Whatever Egon Krenz may promise now, real democracy will be a long time in gestation. Nor are market economies, another prerequisite, constructed overnight, as the Russian and Polish experience demonstrates.

This is not to say that German unification, or East German membership of the EC, are impossible or even necessarily undesirable; merely to point out that they raise issues of horrendous complexity which cannot be solved by one-line answers.

Only one feature of the European scene looks strong enough to provide a bulwark of stability amid the torrent of change and that is the Community.

The Warsaw Pact continues to have a vital role as a vehicle of political symbolism, in maintaining some equilibrium as East and West search for new security structures; but as a military alliance it is now completely hollowed out, and has lost all credibility for operational purposes. And if it ceases to pose a conventional military threat, how can Nato's *raison d'être* and credibility fail to be questioned sooner or later?

The Community faces no threat from events in Eastern Europe. On the contrary, its continuing vigour is a measure of the failure in the East, and its political cohesion as a purely civil power should be a major Western asset in addressing the problems of the East. The French do not pretend to predict how things will evolve in the East, but they do have a policy for the West – "more Europe".

This, in the immediate future, means the Delors plan for economic and monetary union (Emu). This is not, in the French view, a gratuitous bit of supranationalism, simply the essential corollary of the single market. But it is a subject of fierce conflict with Mrs Margaret Thatcher, who manifestly wishes to use the uncertainties of Eastern Europe as a pretext for freezing discussion of Emu.

Some people say the Community should not rush into Emu; in any case, Britain's new Foreign Secretary, Douglas Hurd, is a decent fellow and a good European, and he needs time to bring Mrs Thatcher round. The argument shows a touching faith in human perfectibility, and those who deploy it are obviously slow learners. Ten years have shown that Mrs Thatcher is not capable of being persuaded of anything, in a human sense; she can only be compelled by even more unpalatable alternatives.

The plain fact is that the future of Eastern Europe will not be decided by the Twelve on Saturday, nor by Presidents Bush and Gorbachev two weeks later; and any pretence that the Community can find a quick prescription for the new era of European history, if only it delays discussion of Emu, is disingenuous. Conversely, it is a racing certainty that the Community will take a majority decision in Strasbourg to press ahead with the Delors Plan.

In public, some suspense is being maintained by Chancellor Kohl, who is playing his cards close to his chest. But when he gets to Strasbourg the choice will be simple: Mrs Thatcher, or François Mitterrand. By her actions in Nato and the Community, Mrs Thatcher has made it virtually impossible for him to vote with her. So?

One vote toppled Zhivkov in long-planned palace coup

By Judy Dempsey in Sofia

DETAILS ARE emerging of the shadowy events that led to the replacement last week of Bulgaria's veteran leader, Mr Todor Zhivkov, by the former Foreign Minister, Mr Petar Mladenov, in a palace coup that took three months of planning.

Officially, the 78-year-old leader resigned last week of his own accord. In fact, several key sections of the party *apparat* joined forces to topple him and his comrades in the old Chavdar Guard, the partisans who served under him during the war and shared power with him during his 35-year rule.

The catalyst was Mr Zhivkov's decision in May to expel leaders of the 1m-strong ethnic Turkish minority, touching off an exodus by 300,000 Turks who complained to the world's press of harassment. The Foreign Ministry under Mr Mladenov (53) was furious.

Bulgaria's image, which had recovered since the 1984 campaign to assimilate its Turkish-speaking citizens, was in shreds again. Mr Mladenov had had to face fresh world criticism from the international community.

At first, the ministers had few allies in the politburo.

An opportunity arose in July, when Vladimir, Mr Zhivkov's notorious 37-year-old son, was promoted to head the new cultural department of the central committee. His elevation was backed by the unpopular Mr Milko Balev, a politburo ally and would-be successor of the veteran leader.

But another old ally of Mr Zhivkov, Mr Dobri Dzurov, known to have very good relations with Moscow and anxious for radical change, bitterly opposed Vladimir's promotion.

Cautiously, Mr Dzurov moved to neutralise the 2,000-strong personal guard that protects the Zhivkov family and monitors the army, which attempted a coup in the mid-1960s.

Meanwhile, with the Turkish exodus causing a mounting labour shortage, the two were joined by Mr Andrei Lukanov, the adept Foreign Economic Relations Minister, and Mr Georgi Atanasov, the Prime Minister. But in a Balkan country, riven with intrigue, rumours and distrust, things are never simple.

The quartet had to face the Interior Ministry, still under the influence of its ex-boss, Mr Dimitar Stoyanov.

It was he who ordered the beating up of independent environmentalists during the European ecology conference in Sofia last month. Mr Mladenov, at the receiving end of sharp criticism from the West, began to lose heart.

On October 24, in an angry telephone conversation with Mr Zhivkov, he offered his resignation.

In a letter to the politburo, the central committee and the National Assembly, Mr Mladenov showed spectacular bravery. He accused Mr Zhivkov of bringing Bulgaria to ruin, by corruption and abuse of power. He ended by saying he and his family "accepted the consequences" – a hint that he feared for his life.

A stunned Mr Zhivkov refused to accept the resignation. But soon afterwards, Mr Mladenov made an unscheduled visit to Moscow en route to Peking. In the Soviet capital, he appears to have received the "green light" for a coup.

It was in Sofia on November 9, during a stormy session of the politburo, that Mr Zhivkov's resignation was proposed.

It was touch and go. There were 10 voting members. Mr Zhivkov could rely on Mr Stoyanov, Mr Grisha Filipov, Mr Balev, the deeply conservative Mr Yordan Yotov, and Mr Pencho Kubadinski. At the last minute, Mr Kubadinski is said to have switched sides – sealing Mr Zhivkov's fate.

Mr Mladenov has moved quickly to consolidate power. On Monday evening, the politburo readmitted to the party 11 prominent critics of the Zhivkov regime.

Today's central committee plenum is expected to endorse sweeping changes in the politburo. If the quartet can keep the Interior Ministry at bay and the army calm, Bulgaria may finally be on the road to reform.

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WEU considers eye in space

THE NINE members of the Western European Union have formally agreed to study the idea of a European satellite agency whose main purpose would be verification of any future agreement on Conventional Forces in Europe (CFE), writes Tim Dickson.

The commitment was made at this week's ministerial meeting of the WEU in Brussels when approval was given to a preliminary report suggesting that the satellite plan was worth exploring.

Besides CFE verification, it might be used to help European countries monitor military crises outside Europe as well as tracking environmental risks and natural catastrophes.

Fierce contest to lead Turkish ruling party

By Jim Bodgener in Ankara

RIFTS IN Turkey's ruling Motherland Party (Anap) are only thinly papered over as it heads for an extraordinary congress tomorrow following the elevation last Thursday of Mr Turgut Ozal to the post of President from Prime Minister.

A fierce contest is looming between the unpopular new Premier, Mr Yildirim Akbulut, and the disappointed prime ministerial candidate, Mr Hasan Celal Guzel, for the party chairmanship – a post that Mr Ozal is also vacating.

Many MPs among Anap's 282-strong majority in the 450-seat Parliament are still smarting from not being consulted over Mr Ozal's choice of Mr Akbulut. Formerly Speaker and a moderate right-winger, he is about as anodyne as anyone could possibly be in Anap.

However, with little other option, disappointed factional Anap leaders have grudgingly accepted him as Premier. The new government coasted through a vote of confidence yesterday on the strength of 278 votes out of 373 members present in the house.

Even Mr Guzel, the former Education Minister, has accepted Mr Akbulut, but only to preserve party unity. Mr Guzel was the sole candidate to campaign openly for the premiership, against Mr Ozal's wishes. Excluded from a hand-out of state ministerships as consolation prizes, he is bidding for the chairmanship notwithstanding President Ozal's endorsement of Mr Akbulut.

President Ozal has said delegates should rally round Mr Akbulut in the interests of stability and continuity. On the other hand, Mr Guzel has harped convincingly on the need for greater democracy in the party.

Previously, Mr Guzel had swung his rank-and-file following behind Mr Mehmet Kececiler, the MP from fundamentalist Konya, who heads the "holy alliance" of Islamic conservatives and right-wing nationalists.

But the two have parted since Mr Kececiler traded his influence in the party for a state ministership in the cabinet, from which in the past he had been vetoed by the secular former President Kenan Evren.

The nationalist leader, Mr Mustafa Tasar, was bought off likewise.

Some liberals could also defect to Mr Guzel, disgruntled at being passed over, and the pact of convenience struck between their candidate, Foreign Minister Mr Mesut Yilmaz, and Mr Tasar prior to President Ozal's inauguration. Though the odds are in Mr Akbulut's favour, it is by no means a foregone conclusion.

ADVERTISEMENT

THE VOICE OF SOUTH AFRICAN BUSINESS

SA has responded remarkably well to sanctions

Warren Clewlow, Chief Executive of Barlow Rand Limited and current President of the South Africa Foundation talks to John Spira, Finance Editor of the Johannesburg Sunday Star.

Warren Clewlow

Spira: For some years now, Barlow Rand has been South Africa's largest industrial group, with annual turnover in the region of R25 billion. The most recent interim figures reflected per share earnings growth of 39 percent off a high base after three years of strongly advancing profits. What is the background to this achievement and can such a growth rate be maintained in the year that lies ahead?

Clewlow: Barlow's success can be ascribed to several factors, among them that the group comprises clearly focused business units, companies and divisions; that its capital expenditure in recent years has been concentrated on greenfields and development projects reinforced by quality acquisitions; that exports have grown significantly; and that Barlow Rand possesses a remarkably high level of management expertise throughout the group.

In view of the measures taken by the authorities to slow domestic demand, I think it would be asking too much for the past year's growth rate to be maintained in the current year. Bear in mind, too, that large parts of the group are reliant on world commodity prices and many of these have been favourable in the past few years.

In a group with such varied and diverse interests as Barlows (spanning mining, industry and food), there will always be some parts that perform better than others. The trick is to turn around or eliminate those areas that consistently underperform and strengthen those business units that perform well. It's a strategy that we strive hard to perfect.

Looking further ahead to the medium and long term, I am confident that Barlows will outperform the markets in which it operates.

Spira: The performance of the Barlows UK subsidiary, J Bibby, has been disappointing. How do you view this company's prospects?

Clewlow: Bibby has been disappointing over the past two years, though in relation to when we bought the company four years ago, its earnings have risen by about 80 percent. And when those results are converted from pounds into rands, the improvement is even more dramatic.

Bibby has had to be refocused. There are two divisions which operate in industries which have problems — agriculture and paper. To overcome these problems we are pursuing policies which we believe will ensure that we are as good or better than the opposition.

Bibby has made key acquisitions in its Science Products and Mechanical Handling divisions and the benefits should soon come to fruition. We have also made some senior management changes, which should help the results along.

Bibby has considerable cash resources and could, if an attractive proposition presented itself, make a significant acquisition.

Our approach is to apply to Bibby the principles which we know and understand and which have been singularly successful in South Africa. Hopefully, such a policy will produce the desired results and see Bibby return to an acceptable earnings performance.

Spira: Gold's lacklustre behaviour is bound to be causing headaches for the Barlows gold mines. Just how serious are these problems? What's being done to overcome them? What is the outlook?

Clewlow: Gold represents a relatively small part of the Barlows mining portfolio and an even smaller segment of its total portfolio. Coal, base metals and platinum are much more important.

Rand Mines has been managing its (marginal) gold mines for some time and the recent critical problems encountered by ERPM and Durban Deep did not materialise overnight. But while we anticipate the situation which has brought these mines to the brink of closure, the severity of the problem remains. And we fully appreciate that there is no short term fix.

Some of our mines, such as ERPM will, as has been public knowledge for some time, be worked out and closed within the next few years. In others, there is the possibility of a new lease of life, though at a cost. A decision as to whether or not that cost is justified will be taken in the light of the availability capital, the gold price and, of course, local considerations relating especially to our employees.

In the short term, operating costs at our mines have been reduced as far as possible to lower their break-even horizons.

Spira: Barlow has relatively recently entered the platinum arena. Do you have high hopes for this investment?

Clewlow: Yes, we do have high hopes for platinum, since the market is strong and growing. Barlows has been fortunate in getting into platinum earlier than was originally hoped through its acquisition of the large Lefko (now renamed Barplats Mines) prospect.

The recent rights issue in Barplats will take the company into the second phase of its platinum expansion and we are confident of meeting our targets.

Looked at in the context of our overall mining activity, platinum represents a powerful fourth leg to Rand Mines and is the key to its strategic plans for the 1990's and beyond.

Spira: How are you able to so effectively manage so vast and varied a group as the Barlow Rand empire?

Clewlow: There's a combination of many factors, among them a clear divisional reporting structure, a decentralised management style with clear referral levels and paths, emphasis on focusing each business on its own markets and products, and good communications.

Further, we are effectively served by common, well-tested and trusted financial disciplines which focus management's attention on running the business rather than on making the numbers look good.

Despite the diversity, a common Barlows ethos or style ties us all together. We share common values about the way we do business and the way we deal with people.

Spira: How has Barlow coped with sanctions pressures against South Africa — more particularly with regard to coal exports?

Clewlow: South Africa has responded remarkably well to sanctions. Because exporting is primarily a quality/service/price game — and because South Africa has developed and maintained a reputation for high quality and reliability — it has managed to find markets. Additionally, the depreciation of the rand has enhanced our price competitiveness.

Much of the sanctions pressure has been motivated not by lofty moralistic ideals but for the initiators' own benefit. Whatever the motivation, we've been able to compete effectively in the face of determined sanctions efforts.

Barlows does not talk much about its activities in export markets, other than to report that about 33 percent of its earnings were reaped in foreign currencies last year.

Spira: What is Barlow's attitude towards industrial relations?

Clewlow: Barlows has been a supporter of good industrial relations from way back. It encouraged the recognition of black trade unions in the 1970s and has supported the development of industrial relations negotiations ever since.

Our key value is that we respect the dignity of the individual. From this flows the rest of our beliefs. Thus, every employee should be represented by the union of his or her choice — or not represented, as he or she chooses.

The respective fixes of the worker and management are intertwined in the Barlow Rand group, so we encourage participative structures in our businesses. As a corollary, we encourage employees to take as active a role as possible in negotiating issues that directly affect them.

Every individual represents a resource for the group and he or she should therefore be developed to the fullest extent possible for the benefit of both the individual and the business.

I believe that these values have been of great advantage to us in running our businesses and in helping to create a common destiny for everyone who works in Barlow Rand.

Spira: How concerned are you about the rate of emigration among promising young professionals?

Clewlow: I'm obviously concerned, but the reasons are mostly beyond the control of the business.

Through our social investment programmes, we are trying to increase the number of people being trained at a tertiary level, hoping that most of them will remain in South Africa.

This whole question underlines the need to develop people of all races in South Africa, because we need people who are not only well trained and educated but who also believe in a future for South Africa and are prepared to contribute to it in their particular way.

Spira: As head of the SA Foundation, you've obviously had contact with many influential people throughout the world. Have attitudes towards South Africa altered recently? Are sanctions pressures likely to be intensified in the future?

Clewlow: The SA Foundation has a good reputation for integrity and for holding balanced views on South Africa. As president, I have met a number of influential people and have used those opportunities both to listen closely to their views and to convey to them the reality of South Africa as I see it.

In general, I don't think attitudes have hardened. There are still those who have a closed mind on South Africa. However, I have come across many who are interested, will listen and are prepared to think about South Africa realistically.

I believe there is a more pragmatic view coming from the Bush administration and in many ways that puts the ball back in South Africa's court — where it belongs. This means that South Africans must look at themselves more realistically and approach their problems more constructively than they have in the past.

Spira: Since Barlows activities are linked to the underlying economy, how do you view South Africa's outlook — politically and economically — against the background of the newly-elected government, high inflation, a weak currency and an inadequate economic growth rate?

Clewlow: South Africa is entering a new era of realism. Real issues are more immediate now than ever before.

I believe that a consensus is building around the centre platform of a negotiated future. The fringe, both left and right, look like they won't make it to the table. There's too wide a divergence of views and disagreement over the methods to be adopted to reach compromise.

But in spite of such polarisation, I see a growing consensus in between the extremes over common goals — goals comprising a non-racial democracy that blends the best of a private enterprise, free market economy with compassion for the needy.

The challenge that lies ahead is to discover how to reach those goals without South African society tearing itself apart.

Economic capability and political change must go hand in hand. The one cannot proceed for long without the other. At present, the lacklustre economy is, if anything, holding back political change, making the efforts of those who see sanctions as a means of hastening change rather counter-productive.

Spira: What are the prospects of South Africa meeting the onerous deadlines on its foreign debt repayments?

Clewlow: The South African Reserve Bank has always been capable and responsible, so I've no reason to doubt that it will handle the rescheduling negotiations competently.

South Africa's debt represents a relatively small proportion of the country's GNP, with the result that it should be well able to repay its loans, given any reasonable schedule.

At the same time, the loan obligations place a constraint on the economy in the sense that the balance of payments must remain in substantial surplus, thereby placing pressure on interest rates, exports and the exchange rate of the currency.

The real tragedy is that any other country doing what South Africa is doing would be running a deficit on the current account of the balance of payments and offsetting that deficit with investment from abroad.

In other circumstances, South Africa would be a prime investment opportunity. It is foreign investment that we need to accelerate change. It's a great pity that the world is blind to so obvious a solution.

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OVERSEAS NEWS

Everyone is a loser from Australian pilots' dispute

Chris Sherwell reports on the 13-week pay row

IN MOST industrial disputes, it is customary to find compromises rather than winners and losers. This is especially true in Australia, where decades of confrontation have produced a highly legalistic arbitration system.

What, then, is one to make of the dispute involving the country's domestic airline pilots? It is now in its 13th week. Not only has there been *no compromise*. Wherever one looks, one finds only losers.

The two principal domestic airlines are losing vast sums of money. The pilots have lost recognition of their union and a large number of jobs. The arbitration system has lost credibility. And the Labor Government has lost *its industrial* relations touch.

As if that was not enough, full services will not return before next year and confidence in the current Band-Aid system remains weak. Travel-related businesses are hurting badly. The economy, and the country's reputation, have suffered.

The latest focus of attention is the Victorian Supreme Court, where Ansett and Australian Airlines, together with the freight group Ipec, are suing the Australian Federation of Airline Pilots for damages inflicted in pursuit of its 29.5 per cent pay claim.

It was that claim, lodged in late July, which set the conflict on an escalating spiral. The airlines – conspicuously backed by Mr Bob Hawke, the Prime Minister, and the Australian Council of Trade Unions – rejected it and insisted the pilots accept national wage guidelines permitting 6 per cent increases with productivity offsets.

The 1,650 pilots spurned the guidelines, demanded direct negotiations and restricted their work to 9am-5pm. The airlines reacted by seeking cancellation of the pilots' industrial agreements by the Industrial Relations Commission, the principal arbitration body.

When the pilots refused a Commission order to resume normal working, it cancelled the agreements. The airlines then initiated legal action, provoking the pilots to resign en masse, grounding all domestic flights.

As the travel crisis mounted, the Government acted, setting extraordinary precedents. It relaxed curbs on foreign airlines carrying domestic passengers, encouraged the hiring of foreign aircraft and pilots, ordered the Air Force into service and compensated the two airlines for not laying off staff.

With the airlines still struggling, the Commission announced in late September it would arbitrate the dispute, only to see the pilots reject the plan. Plainly irritated, the Commission decided to recognise new contracts the airlines were offering to freshly-*recruited pilots*.

Ironically, these offered increases of the very magnitude the pilots sought in the first place. The difference was that the conditions were far less attractive, and the large productivity gains they afforded the airlines meant they would need far fewer pilots.

The pilots have since weakened, offering to return on previous conditions pending negotiations, and dropping their pay claim. The airlines, pressing ahead with their rebuilding efforts, have rejected both offers.

So intense is the battle, propaganda has swamped statistics. The combined airlift is clearly far short of meeting

> The two principal domestic airlines are losing vast sums of money

pre-dispute demand, but it is rising. Ansett and Australian Airlines have plainly failed to re-hire many of their pilots and gone elsewhere, mainly abroad. And their former employees are either sitting tight, shifting to foreign airlines or opting out altogether.

According to Mr Hawke, there is no longer an industrial dispute because events have technically removed the pilots federation from the scene. But for air travellers and suffering businesses his claim is absurd. Indeed, of the parties involved – pilots, airlines, Commission, the trade union movement and the Government – not one has emerged with honour.

Take the pilots. Long used to winning what they want, their strategy anticipated a strike. Their claim, given their average pay of A$80,000 (£40,040) a year and extravagant working conditions, was for an increase close to the average Australian worker's annual income. And their inflexibility was stunning.

If the pilots' hard line was their mistake, the airlines' failure as employers was theirs. Executives failed to respond to alarm bells last February, when pilots staged a disruptive stoppage. They failed to negotiate the efficiency gains they needed. And at Australian Airlines, they expected pay increases for themselves even larger than the pilots sought.

Instead of negotiating, Sir Peter Abeles of Ansett and Mr Ted Harris of Australian took up aggressive positions. So did Mr Hawke and the two leaders of the trade union movement, Mr Simon Crean and Mr Bill Kelty.

The aim was to protect the wage-restraining "accord" – a fragile cornerstone of Labor's success. But in the process Mr Hawke wrecked his reputation as a conciliator with some ill-conceived remarks about "war" against the "greedy" pilots who were little more than "bus drivers".

Two facts seemed obvious. Sir Peter and Mr Harris were close to Mr Hawke. And both airlines faced a plunge in their near-monopoly profits unless they slimmed down their inefficient operations before a new era of deregulation and competition next November.

The state-owned Australian Airlines has the worse capacity to stomach more months of strain. Its strength is already in question – that was why the Government considered (and rejected, under party pressure) privatisation. What Sir Peter and his Ansett co-owner Mr Rupert Murdoch are losing now, they will surely recoup should Australian fail.

To the pilots, the airlines' refusal to negotiate meant only one thing: a determination to "smash the union" before deregulation. This stood in sharp contrast to official pussyfooting over Australia's breathtakingly inefficient docks – and like Mr Hawke's remarks, it worried rank-and-file unionists across the country. The case before the Victorian Supreme Court could set further precedents.

As for the Industrial Relations Commission, the country's political right makes a telling point. In its view the pilots dispute, far from underlining the strength of the centralised wage-fixing system, has underscored its weakness and the way it is holding up Australia's modern economic development.

Exchange comeback for HK broker

By John Elliott in Hong Kong

MR Philip Wong, a prominent Hong Kong stockbroker barred by the colony's Government a year ago from standing in stock exchange council elections, has this week been elected one of the council's two vice-chairmen.

Six out of 18 elected seats on the council, which was *reconstituted after the 1987* world markets crash, have been up for re-election because one-third are rotated every year. The voting has not significantly changed the balance of the council which is heavily dominated by local Chinese.

Inquiries after the crash led to legal action being initiated against Mr Ronald Li, the former chief executive of the Hong Kong Stock Exchange, and other senior officials. This action is still pending.

When the reconstituted council was elected a year ago, the Government made it clear to nine members of an interim management committee, including Mr Wong, that they should not allow their names to go forward because they might be involved in some way in the legal action.

Mr Wong, 50, proprietor of Tai Cheng, a local stockbrokers, was vice-chairman of the management committee which ran the exchange between the crash and last year's elections. He is regarded as an expert in stock market computerisation and believed to have been the only one of the nine to decide to stand this year. His candidature was cleared by top Stock Exchange executives, who have taken over vetting of candidates from the Government.

Sir Q.W. Lee, chairman of the Hang Seng Bank, was re-elected chairman and Mr Tony Fung, of Sun Hung Kai Investments, was elected as the other vice-chairman.

Gandhi aide threatened

By K.K. Sharma in New Delhi

THE Bofors scandal over payoffs by the Swedish armaments company for a $1.2bn contract to supply India with howitzers took an unusual turn yesterday when Mr N. Ram, associate editor of The Hindu of Madras, sent a legal notice to Mr Anand Sharma, the Congress party spokesman.

Mr Ram has demanded a retraction from Mr Sharma of the charge that documents published by him on the Bofors deal were forged.

On the basis of the documents, Mr Rajiv Gandhi, India's Prime Minister, was alleged to have been directly involved in the payoffs.

Mr Sharma, whose denial of the charge has put him at the centre of the storm over the Bofors affair, faces a defamation suit unless he withdraws his charge against Mr Ram within two days.

The exchanges show that the campaign for the elections, starting on November 22, is becoming more bitter.

Angry Egyptians return from Iraq

Egyptian workers flooding home from Iraq said on Wednesday that they had been humiliated, beaten and swindled and left in fear of their lives. Reuter reports.

"Egyptians dying there are not dying natural deaths," said Ahmed Abdel Malek Mahmoud, a construction worker who spent 13 months in Baghdad. There has been no first-hand confirmation that 1m Egyptians in Iraq were the target of systematic attacks.

Masked youths unfurl the PLO flag during a demonstration in East Jerusalem yesterday

ANNIVERSARY OF PALESTINIAN STATE DECLARATION

Assassinations plague Fatah

By Lara Marlowe in Sidon, Southern Lebanon

PALESTINIANS in the refugee camps of southern Lebanon have this week been staging torch-lit parades to mark the anniversary of Yassir Arafat's declaration of an independent Palestinian state on November 15, 1988.

But in the muddy streets of Ein Helweh camp, in Sidon, guerrilla fighters and ordinary Palestinians have had something else to worry about besides the fate of the PLO's year-old peace initiative: namely a bitter campaign of assassinations between Mr Arafat's mainstream Fatah movement and smaller extremist groups, in which nearly 200 people have been killed.

Ein Helweh, which housing 100,000 Palestinians, is home both to the largest concentration of refugees in Lebanon and the biggest contingent of Fatah guerrillas. Everything that happens within the Palestinian movement has an immediate and sometimes violent effect in Ein Helweh. Thus a power struggle involving extremist Palestinian groups has played itself out in the camp.

Apart from Fatah, the struggle involves the notorious Fatah Revolutionary Council (FRC) led by Sabri al-Banna, better known as Abu Nidal, and two pro-Syrian groups, Saiqa and the Popular Front for the Liberation of Palestine – General Command (PFLP-GC). The FRC and the other two factions have not participated in the PLO in recent years and Abu Nidal's group has a history of assassinating pro-Arafat Palestinians.

Fatah officers in Sidon say that only 10 of their leaders have been killed over the past six months. But as many as 175 FRC members died, mostly in the Lebanese camps of Ein Helweh, Rashidiyeh, Baddawi and Nahr el-Bared – by order of their own leader Abu Nidal.

Some PLO officials say this is a conservative estimate. "The FRC claims it has killed 175 in Lebanon and Libya," said Mr Ramzi Rabah, leader of the Marxist Democratic Front for the Liberation of Palestine in Sidon, "but they actually killed even more than they admitted. Many of those they killed they later tried to cover up by saying they died in an Israeli air raid."

"The FRC *is not really* a political organisation," said an official from a left-wing Palestinian group within the PLO. "They are little more than hired killers, who have amassed many millions of dollars by carrying out contracts."

The killings appear to indicate *serious* disarray *within* Abu Nidal's group, perhaps reflecting a steady ebbing away of support from radical Middle Eastern states.

Mr Zaid Wehbe, the *PLO's* Sidon-based spokesman in Lebanon, said: "We open our arms to any Palestinians who want to come back to the PLO. The FRC were with Iraq. Then they went to Syria, until the Americans asked Damascus to kick them out. Now they are with Iran, Hizbollah and Muammer Gadaffi [the Libyan leader]. But three weeks ago Gadaffi declared that he is against them too."

Col Gadaffi was allegedly disgusted by reports that Abu Nidal murdered 20 leaders of his movement and buried them in cement in *his* garden in Tripoli. If the FRC is expelled from Libya, the group's only remaining bases will be in the Palestinian camps of Lebanon.

Mainstream Palestinians have not been slow to capitalise on the group's problems.

Now PLO officials express the hope that the assassinations may be ending. In the camps, PLO supporters are more concerned with the Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip and with Israeli, US and Egyptian peace proposals which they say deny them statehood.

Israelis seal off Gaza Strip

By Hugh Carnegy in Jerusalem

PALESTINIANS celebrating the first anniversary of their *self-declared state in* the West Bank and Gaza Strip yesterday could not escape the reality of Israel's continued unbending rule over the territories it captured in the 1967 Six Day War.

Gaza, where an Israeli soldier was shot dead on Monday, was sealed off from Israel and *many of its towns* and refugee camps placed under curfew. Curfews were also imposed on a number of West Bank centres as the Israeli army sought to prevent widespread demonstrations called for by the underground leadership of the *intifada*, or uprising.

A number of demonstrations and celebrations were reported on Tuesday night and yesterday with residents singing songs, marching and waving pictures of Mr Yassir Arafat, leader of the Palestine Liberation Organisation. A youth was *shot dead in one* West Bank refugee camp when marchers clashes with troops, adding to the intifada death toll which now stands at more than 750.

The Palestine National Council - or parliament-in-exile - declared the occupied territories an independent state at a *meeting in Algiers a year ago* yesterday, marking a significant point in the PLO's acceptance of the so-called "two state solution" under which a Palestinian state would co-exist with Israel. It remains a shadow state which Mr Yitzhak Shamir, the Israeli Prime Minister, says will never be allowed to become reality.

But Mr Faisal Husseini, a senior Palestinian leader in Jerusalem, expressed optimism yesterday that political progress would be made in the next year. He said the first year of *the intifada, which* began 23 months ago, was a year in which Palestinian opinion was won round to the two state solution idea. The second year was a year of diplomatic initiatives by all *sides* in which the struggle for the Palestinians - yet to be resolved - was to *establish the PLO as their* accepted representative.

"I believe that within the third year you will see the start of negotiations between the Palestinians and the Israelis," he said. The intifada would go on in the meantime, but he added that the leadership would have difficulty controlling demands for more violent methods if the political process did not yield results soon.

Nujoma seeks deal with rivals

By Patti Waldmeir in Windhoek

MR Sam Nujoma, the man most likely to become independent Namibia's first president, yesterday stressed his desire to co-operate with rival political parties in drawing up the country's independence constitution.

"We have no intention of imposing our views on anyone," Mr Nujoma told a press conference, his first since the results of Namibia's pre-independence elections were announced on Tuesday night.

The elections, which took place under United Nations supervision last week, gave Mr Nujoma's party, the South West Africa People's Organisation (Swapo), 41 seats in the 72-seat constituent assembly, which is due to begin drawing up a constitution for Namibia next week.

Mr Nujoma's chief political rivals, the Democratic Turnhalle Alliance (DTA), which collaborated with Pretoria in ruling Namibia in defiance of the UN, gained a surprisingly large number of votes, giving them 21 assembly seats.

Swapo officials said yesterday that they were considering

Nujoma: seeking widespread agreement on new constitution

alliances with smaller parties in the assembly - which together gained 10 seats - in order to command the two-thirds majority needed for approval of a constitution.

"There are many allies of Swapo within the other parties, including the DTA," said one senior official at Swapo headquarters.

Swapo's director of research, Mr Peter Katjavivi, predicted that a constitution could be adopted swiftly - perhaps by the end of the year - adding that differences between the parties on issues of constitutional principle were not very large.

Under a UN-sponsored peace plan for the territory, Namibia will become independent of South Africa once a constitution has been adopted, with April 1, 1990 set as a target date.

Mr Katjavivi said he expected Swapo's constitutional proposals to include a commitment to multi-party democracy, a bill of rights and an independent judiciary.

He added that he expected the constituent assembly elected last week to become Namibia's first parliament without further elections being held, meaning that Swapo will effectively hold a majority in Namibia's first government.

Kaifu plumbs the depths of deprivation

By Ian Rodger in Tokyo

IT has become a truism that although Japan is the richest country in the world the Japanese people still live in relative squalour in houses the size of rabbit hutches unconnected to sewers.

But who would have thought this contrast between public wealth and personal deprivation would extend even to prime ministers?

Early this week, it emerged that the apartment in Sori Kantei, the Prime Minister's official residence in central Tokyo, is overrun with cockroaches and lizards. In the bathroom, the water from the taps comes out a rusty colour and the water from the shower suddenly changes from hot to cold.

The residence, it turns out, has not been renovated since it was built in 1927, indicating that dozens of prime ministers have tolerated these squalid conditions in typical Japanese stoic style.

In fact, things are probably not as grim as that. Most prime ministers have tended to live in their own sizeable homes in Tokyo rather than in the Sori Kantei and commute to work every day. However, Mr Toshiki Kaifu, a relatively minor politician before he was catapulted into the Prime Minister's office last summer, lived with his family in an apartment in a Tokyo block of flats. For security reasons, this turned out to be inconvenient and he was pressured into moving into the official residence.

He soon began complaining about the condition of the apartment and this week the Government reluctantly agreed to do something about the plumbing, but nothing else.

Tokyo political analysts are using the incident as evidence that Mr Kaifu is increasingly confident that his tenure will be a long one. Taxpayers in other countries, resentful of their money being used for redecorating their leaders' official residences with every change of administration, might see it as another example of the Japanese getting their priorities right.

Demonstrators back S Korean general

By Maggie Ford in Seoul

SUPPORTERS of a controversial hard-line former general linked with a massacre by the military in the South Korean city of Kwangju, yesterday staged a mass rally in protest at the reformist leadership of President Roh Tae Woo.

About 10,000 people came out on the streets of the provincial city of Taegu, home to South Korea's military leaders for the past 30 years, in support of Mr Chung Ho Yong, a former general.

Mr Chung, now a ruling party member of the National Assembly , is accused by the opposition of being responsible for a massacre by the military in theprovincial city of Kwangju in 1980. He has also been under pressure from inside his own party to resign his parliamentary seat.

Both the ruling party and the opposition have pledged that they intend to clear up the legacy of the former regime, led by the then President Chun Doo Hwan, before the end of the year.

The opposition has demanded that Mr Chun, at present in exile in a remote Buddhist monastery, must testify to parliament about his actions.

Last year the former president apologised for his misdeeds and repaid accumulated funds to the state.

Yesterday's rally has heightened concern in the ruling party that a split may occur been hardline and reformist groups. Party leaders in Seoul asked local officials to boycott Mr Chung's rally without success. He has strongly resisted calls to resign and has mobilised support within the party, especially from the home region, arguing that he should not be made a scapegoat for others' decisions in the past.

Sri Lankan defence spending up

SRI LANKA'S Prime Minister yesterday presented a cost-cutting budget for 1990 that aims to rebuild an economy shattered by a rebel war, Reuter reports from Colombo.

Mr Dingiri Banda Wijetunga, who is also finance minister, announced a wage rise for public servants and reduced taxes for lower-income people. The budget increased taxes and duties on luxury imports and cars.

Defence spending, mainly to fight left-wing rebels, was given an extra $50m from 1989 levels. But disruptive activities by rebels had been "largely brought under control," he claimed.

Starvation looms as civil wars once more engulf the Horn

Peaceful solutions to strife in Ethiopia, Sudan and Somalia are as distant as ever, writes **Julian Ozanne**

IT is starting all over again. Military build-ups, aggressive rhetoric, suspension of life-saving emergency food flights, shipments of foreign arms and the looming spectre of mass starvation.

The embattled Horn of Africa, where civil wars have ebbed and flowed for 28 years, is again being plunged into cataclysmic civil upheaval following the news last week that both Ethiopia and Sudan are preparing for full-scale military campaigns against rebel groups.

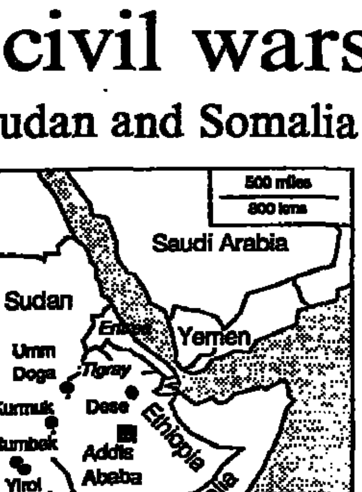
After four months of an uneasy ceasefire and abortive peace talks, Sudan's six-year-old civil war has exploded as the rainy season comes to an end. The rebel Sudan People's Liberation Army shelled and overran the border town of Kurmuk 10 days ago and the Government responded by bombing the rebel town of Yirol, vowing to crush the SPLA by the end of the year. Intense fighting has been reported this week around Umm Doga, on the Ethiopian border, and the garrison town of Rumbek, on the Juba-Wau road.

Relief aircraft, a vital lifeline which has kept many thousands in southern Sudan alive in the last six months, sit idly on the tarmac at Entebbe and Nairobi airports after they were cancelled by government decree last week. The Sudanese army is also said to be preparing to commandeer train and barge relief operations for military purposes.

This will raise the terrifying prospect of starvation for thousands of civilians holed up in shabby government and rebel towns across the south, where 250,000 people died of war-related starvation last year alone.

The news comes as two of the most rigid marxist groups in neighbouring Ethiopia, the rebel Tigray People's Liberation Front and the Government of President Mengistu Haile Mariam, are locked into precarious "talks about talks" in Rome aimed at ending a 14-year-old confrontation. Recent reports indicate that severe drought and famine will again hit the rebel-held provinces of Tigray and Eritrea in the next four months where relief distribution will be hampered by fighting and largely depend on cross-border operations from Sudan.

The meeting, the first public discussions between the two sides, follows a string of military victories by the TPLF in the last six weeks which



has pushed demoralised government troops into the garrison town of Dese, 233km north of the capital Addis Ababa.

With goodwill on both sides the talks would have been difficult enough: the TPLF, a stalinist-dominated movement, has in the past insisted on the removal of President Mengistu and the formation of an interim government, something the President has naturally considered non-negotiable. But rebel suspicions that the Government has agreed to talks to buy time will have been bolstered by hostile statements made by President Mengistu last week.

"The arrogant campaign to dismember the country. . . has reached an alarming stage," President Mengistu told his central committee when he called for an all-out national mobilisation against the "treacherous" rebels.

Recent events in Somalia, where urban riots, mass defections from the army, open clan warfare and civil war in the north and south has shaken the crumbling 20-year dictatorship of President Siad Barre, completes the grim picture of the Horn of Africa disintegrating into fratricidal bloodshed and economic decay.

A successful military coup in Sudan in June, an attempted coup in Ethiopia in May and army mutinies in Somalia have revealed extensive discontent in all three military establishments. Diplomats and political observers throughout the Horn describe all three governments as "unstable and fluid" and "ripe for change".

Despite the constant diplomatic overtures and attempts at peace talks none of the civil wars shows signs of early resolution. Years of political dictatorship, obsessive centralisation of power and decision-making and uncompromising ideological positions have left basic problems unsolved. Foreign intervention has often exacerbated the conflicts by injecting heavy-duty weaponry into already explosive situations.

The economic impact of the wars has been devastating. Rampant inflation, black marketeering, destruction of infrastructure and the steady slide into further impoverishment is an unrepenting pattern across the region. Aid projects worth millions of dollars have been destroyed, agriculture abandonned and industry gutted.

When President Mengistu announced his all-out mobilisation last week he also told the country that development projects for the 1989-90 budget would have to be scrapped to free more resources for the war effort.

Without a fundamental change of attitudes on all sides in the civil wars peace talks are going to remain stillborn. In Sudan the issue of fundamentalist Islamic law and a secular constitution which have dogged past negotiations continue to present a stumbling-block to peace between the mainly Moslem north and the mainly Christian south. Gen Omar Hassan el Bashir, who seized power in June, has emerged just as much an Islamic fundamentalist as former Prime Minister Sadiq el Mahdi. His offer of secession for the south, an old Islamic proposal, has further alienated the rebels.

In Eritrea, where rebels have been fighting the Government for 28 years over demands for secession or autonomy, peace talks, due to resume in Nairobi later this month, have got bogged down on procedural issues.

The problems of credibility and trust between rebels and governments, particularly in Ethiopia and Somalia have further hampered peace overtures. Most observers recognise that, even with real commitment and enthusiasm, negotiations – as in Angola and Namibia – will be long and arduous.

Given the fluidity of the military, political and economic situations in all three countries, the chances of any of the present regimes surviving that long, even with a fundamental change of heart, is unlikely.

AMERICAN NEWS

Arthur Young executives deny obstruction

By Peter Riddell, US Editor, in Washington

SENIOR executives of Arthur Young, the leading accountancy firm now merged into Ernst and Young, have denied obstructing a US Securities and Exchange Commission inquiry into the affairs of the now-collapsed Lincoln Savings and Loan.

The role of Arthur Young as auditor, and that of the former Federal Home Loan Bank Board as regulator, has come under increasing criticism during a series of public hearings of the House Banking Committee into the Lincoln collapse, which may cost US taxpayers $2bn to $2.5bn to protect depositors. The collapse followed its involvement in a series of property deals.

There has also been controversy over the roles of five US senators – to whom Mr Charles Keating, head of Lincoln, had made financial contributions – and of a former SEC commissioner in seeking to influence the regulators and delay the federal takeover of Lincoln.

Mr Richard Breeden, new chairman of the SEC, had claimed on Tuesday that Arthur Young's auditors had been "very unhelpful, very unforthcoming and very uncooperative in any shape, way or form" during the commission's investigation.

In particular, Mr Breeden said that, even after the SEC had served a subpoena, the accountancy firm returned documents covered with a stamp which made crucial sections unintelligible or accompanied by a claim that they were copyrighted and could not be copied by the SEC.

However, Mr William Gladstone, co-chief executive of the firm, argued: "We did not stonewall the SEC." The commission, he said, had asked for thousands of documents and "a very, very small number might have had a stamp in the wrong place."

Moreover, he said that, under the law of Arizona, where the company was registered, subpoenas were required for an auditor to release confidential documents.

● The Democratic leaders of the US Senate have formally blocked President George Bush's hopes of early Congressional approval for a reduction in capital gains tax. But some form of cut has a good chance of being approved next year.

A cut was effectively killed when an attempt to end debate on the issue fell nine short of the 60 votes needed for a closure. The vote in favour of closure was 51:47, with six mainly conservative southern Democrats joining the minority Republicans in favour.

The White House said yesterday that the administration would continue to seek passage for the capital gains vote.

Mexican deficit 'to fall'

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas has promised that Mexico's public investment next year would recover to the highest level for eight years, and that the public deficit would be the lowest for 20 years.

Speaking on the eve of the presentation of 1990 expenditure and revenue projections to Congress, he said: "During the past few months, Mexico has advanced towards a new stage of growth and stability."

The highest level of public investment for eight years would imply one of more than the 7.51 per cent of gross domestic product recorded for 1983 as the inexorable rise in capital expenditure started – falling to 4.4 per cent in 1988 and reaching a low estimated at little more than 3 per cent this year.

This year the Government "economic deficit" (not including subsidies and lending to state companies) was projected at 4.9 per cent of GDP, compared with a level below 3 per cent in the late 1960s.

Brazil votes in big step towards democracy

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S voters went calmly to the polls yesterday to vote in the first round of the country's first presidential election outside Congress for 29 years, and its first ever with suffrage extended to illiterates.

The election establishes the country, with its 82m electors aged 16 and up, as the world's third largest democracy.

On December 17, the transition to full democracy, after 21 years of military rule which ended in 1985, will be complete when voters choose a new president from the two front-runners in yesterday's poll.

In all, 21 candidates were contesting the first round, though only four were thought to have a real chance of reaching the second.

All the opinion polls agree that Mr Fernando Collor de Mello, a 40-year-old former governor of the tiny north-eastern state of Alagoas and seen as on the centre right, will go through with between 25 and 30 per cent of the votes.

In April, he shot from obscurity to the top of the ratings on promises to tackle Brazil's social inequalities and root out government corruption.

Jostling behind him for second place are two socialists – Mr Leonel Brizola, a veteran populist and former governor of two states, and Mr Luis Inácio Lula da Silva, who came to prominence through trade union leadership and was running for the Workers' Party. The polls bracket them on about 13 per cent.

The last serious contender for the run-off is Senator Mario Covas, a social democrat and former mayor of São Paulo, Brazil's most productive city, whose support has improved in recent days.

One of these four looks certain to inherit the sash of office from President José Sarney on March 15, as well as a profound economic crisis.

The electoral authorities expect a preliminary result to the first round within 48 hours of the polls closing.

Voting is obligatory for Brazilians over 18, and optional for those aged 16 to 18.

Piloting Argentina's economic reforms

Gary Mead in Buenos Aires speaks to the central bank governor

MR Javier Gonzalez Fraga generally shuns the limelight, though that will be difficult in his relatively new post of governor of Argentina's Central Bank. As the country's currency plunged during the first half of this year from 17 australs to 650 australs to the dollar, the previous incumbent (Mr José Luis Machinea) came under more fire than the average Spitfire pilot in the second World War.

Mr Gonzalez Fraga was lifted from relative obscurity as an economist and private consultant by President Carlos Menem, when he took over the reins of government in July, five months earlier than planned. That month, Argentina's sick economy crawled towards the cemetery as inflation reached 196 per cent for the month.

Since then the fever has abated but the disease remains. Inflation is now down to a merely worrying monthly 9 per cent. The austral has stabilised, though there are strong arguments that it is over-valued. The news is not wonderful, but once again Argentina's economy has made a familiar deathbed recovery and gained a few months' respite.

How that respite is used depends largely on a handful of individuals, including Mr Gonzalez Fraga. For the moment he appears to be part of a new breed of economically sophisticated political appointments in Argentina, responsible as they see it not so much to a politician, even less a political party, but to an ideal – thorough structural reform of the economy.

Sceptics know that that promise has been made before, by Mr Juan Sourrouille when he launched the Austral Plan in June 1985. He ignominiously failed largely because he sacrificed his economic intelligence (as did Mr Machinea) to the cause of bolstering up a spent political force, Mr Raúl Alfonsín.

Mr Gonzalez Fraga has good reason to worry. During the past two decades, the Central Bank been one of the country's most abused institutions, expected to bail out not only inept governments but also a weak private banking sector only to happy to over-extend itself for quick profit. For the moment he, along with the rest of the economic team, has the support of President Menem.

Javier Gonzalez Fraga: commitment to structural changes

When the reforms begin to bite and Menem's currently strong prestige wavers, he may be tempted into following the Sourrouille-Machinea line and put short-term political popularity before sustained economic development.

For the moment he is mutedly optimistic, thanks to a perceived determination in the boss, President Menem, to make these reforms stick. Gonzalez Fraga illustrates that through an anecdote about the uncrowned king of Bolivia, the Harvard-based economist Jeffrey Sachs. Sachs is widely credited with having stamped out Bolivia's hyper-inflation in 1985, through the simple remedy of suggesting that theGovernment refused to spend what it did not have.

"When Sachs came to Argentina [in July] he met Menem. He told Menem that Argentina must make people pay their taxes. When Menem heard the English word 'taxes' he added in Spanish *'y carcel tambien'* – and prison too. For an Argentine President to start talking about prison for tax evaders is little less than miraculous."

By previous Argentine standards Menem's cabinet has worked fast in the 3¾ months since taking office. As yet there is still only talk of putting tax evaders behind bars, but it is the kind of talk which has brought Argentina back into the fold of the International Monetary Fund (IMF). The IMF got its fingers badly burnt with the Alfonsín Administration; it has tied the Menem government to an extremely tight set of fiscal and monetary targets.

The new letter of intent with the IMF "has already been signed," says Mr Gonzalez Fraga. "It has been received by the IMF whose board will decide on it in the coming month. I expect the first disbursement, of between $250m and $230m, in the last two weeks of November."

The total IMF stand-by agreement is for $1.4bn. In the letter of intent Argentina agrees to reduce its fiscal deficit from the current 16 per cent of Gross Domestic Product to 1.25 per cent of GDP for the whole of 1990. Isn't that somewhat ambitious for a country which is just escaping from hyper-inflation ? Mr Gonzalez Fraga radiates confidence.

"The reduction in curent expenditure is not too ambitious. What is very ambitious in terms of the fiscal deficit is that it has to be turned around, into a fiscal surplus of around 6 points of GDP. That is achievable through a much better collection of taxes and from the proposed privatisations." One of President Menem's most optimistic drives is to jettison the state of a number of loss-making companies, though as yet no official figures giving expected income have been published.

Besides the macro-economic reforms currently under discussion are less meretricious but arguably as important tinkerings with the state's financial bodies, such as Mr Gonzalez Fraga's effort to make the Central Bank autonomous and much freer from political manipulation.

"In the past the Central Bank has been subject to considerable political pressure, to give re-discounts, preferential exchange rates and rates of interest to different borrowers. That has been a source of inflation. We are about to reform the Central Bank's charter and introduce new guidelines for its activities. Basically it means that the Governor of the Central Bank will have greater political immunity, so that he can say 'No' to governors of provinces, Congress politicians or even to other members of central government or the private sector, to cut down the printing of money. This obviously is not enough, but at least it consecrates the principle of independence, by making it law."

If Mr Gonzalez Fraga speaks for President Menem's economic aims then perhaps even foreign commercial banks, who hold much of Argentina's debt, have some cause for celebration.

"We are requesting from them an understanding that it is not a priority for us to cancel our arrears (currently put at $4.5bn) in the short run and with token payments, because that would only weaken the possibility of the consolidation of stability."

"In February we will try to go into an extended fund facility with the IMF. With that, a much clearer scenario of a 3-year-agreement with the Fund, we will face the debt with the commercial banks. Meanwhile, we have to tackle the question of arrears with the banks because we don't want them to believe that we are indifferent to the building up of arrears. This stability is precarious and it should not be weakened with anticipated payments abroad that will not be funded with the genuine resources of a fiscal surplus."

Bolivia declares siege to break strike

THE three-month-old government of President Jaime Paz Zamora in Bolivia declared a state of siege yesterday and rounded up hundreds of people in an attempt to end a teachers' strike which has led to clashes with police, AP reports from La Paz.

At least 700 teachers and labour leaders were arrested and many of them flown to three detention camps in the northern jungle provinces, said Mr Raúl Loayza, Under-Secretary of the Interior.

Three leaders of the teachers' union who were in critical condition from a 24-day hunger strike were taken to private clinics in La Paz for intensive care and were out of danger, he said.

The government order expands police powers and allows official curbs on public meetings. The coalition government said it had acted to guarantee peaceful local elections next month. The decree permitted political party campaigning for the poll on December 3.

The move came a day after salary negotiations between the government and the Union of Education Workers, representing the 80,000 state teachers, had broken down.

There have been several confrontations between rock-throwing teachers, students and police, who used tear gas to disperse protesters.

The teachers are demanding a bonus equivalent to $103 to compensate for increases in the cost of living. They earn an average of $75 a month. The national minimum monthly wage is $25.

The decree announcing the three-month state of siege said: "A group of leaders of the teachers' union had unleashed an illegal hunger strike creating a climate of social unrest with demands that the state cannot attend without risking the economic and financial stability of the country."

"The hunger strike is being used by certain political groups for the purpose of interrupting the peaceful coexistence of the country and endangering the democratic stability," it added.

The state of siege allows police to arrest and hold someone without charges for 48 hours without a judicial order.

Friendly climate aids US-Soviet talks

By **Nancy Dunne** in Washington

THE CURRENT high-level talks between US and Soviet officials aimed at normalising trade relations are being held in a hospitable climate created by developments in Eastern Europe.

The US-USSR Joint Commercial Commission is expected to lay the groundwork for negotiations of a broad trade and economic accord to replace one abandoned in 1975.

At this meeting, the two sides are to discuss a range of bilateral trade issues, review progress in Soviet economic reforms and consider ways to expand the bilateral business relationship. The talks are being led by Mr Robert Mosbacher, the US Commerce Secretary, and Mr Konstantin Katushev, Soviet Minister of Foreign Economic Relations.

President Bush is being urged to strengthen US-Soviet trade ties to provide US support for perestroika. Mr James Giffen, chairman of the Mercator Corporation and former head of the US-USSR Trade Council, last week said that the Soviet legislature was expected to approve a law codifying a liberal emigration law in time for the summit.

The legislation is the only remaining obstacle to a presidential request for waiver of the Jackson-Vanik Amendment, which has for 15 years has tied most-favoured-nation (MFN) trade status to Soviet emigration policy.

President Bush promised last May to grant a waiver when the new law is enacted, and he may well act just prior or during the summit next month in Malta. The Administration is also being urged to negotiate investment protection and tax treaties and to grant short-term credits for food sales.

The US farm lobby is pressing for normalisation of trade relations. US-Soviet talks for a new long-term grain agreement are scheduled to begin in Moscow early next month, and to emphasise the importance the larger trade agreement will play in the Long Term Agreement (LTA) talks, the Soviets' top two food-buying officials have been included in the current discussions.

In 1988 the US tried and failed to get Moscow to agree to higher levels of minimum grain purchases and to expand the LTA to other products. Mr Steven McCoy, president of the North American Export Grain Association, has said that a waiver of Jackson-Vanik could "eliminate the issue of discrimination" in the LTA talks.

In the short-term, a waiver of Jackson-Vanik, which would still require yearly renewals, is not expected to provide more than a political and psychological lift for Mr Mikhail Gorbachev, the Soviet leader. He needs permanent MFN trade status, which would sharply lower tariffs on Soviet products and encourage investment in export-oriented ventures.

Permanent MFN status is sharply opposed by conservatives, who fear it is a forerunner of expanded strategic trade and longterm trade credits. Here, the Administration is likely to move slowly with Bushian "prudence."

World classification body 'impractical'

By **Kevin Brown**, Transport Correspondent, in Amsterdam

SUGGESTIONS that classification societies should be nationalised or replaced by a single world body were impractical, Sir Roderick MacLeod, chairman of Lloyd's Register, told the Financial Times World Shipping conference in Amsterdam yesterday.

Sir Roderick said it was true some shipowners put pressure on classification societies – which monitor standards of vessels for insurance purposes – to compromise their standards under threat of moving their business elsewhere, and that some societies succumbed to pressure.

However, competition between classification societies was largely beneficial to the shipping industry, especially where owners derived the maximum benefit of diverse technical thinking and expertise by dividing their business among different societies.

It was not easy to see how a world classification society could be organised or funded, and it was not clear how nationalisation could work in flag states which did not have registers. It was also difficult to see how responsibility for ship safety could be devolved to the insurance markets, given the level of competition between underwriters, especially at times of overcapacity.

Dr Thomas Mensah, assistant secretary-general of the International Maritime Organisation, said the development of European shipping law would have to reconcile conflicting demands for technical advances to enhance environmental protection with demands from Third World countries for a greater share of maritime trade.

Decisions on issues such as double bottoms for oil tankers,

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unlimited or very high liability for pollution, and the balance between crewing levels and the introduction of sophisticated equipment should be taken by international agreement rather than unilaterally.

Mr Lars Brodje, business development manager for Inmarsat (the International Maritime Satellite Organisation) said competition was forcing shipowners in all sectors towards greater efficiency through automation and reduced manning. This could only work if the shipping companies' offices ashore could be provided via satellite telecommunications with all the information necessary to operate the ships from one port to another. By the end of the century, technical advances would mean that the main function of seafarers would be to monitor equipment and be alert for safety problems.

Mr Jens Ulltveit-Moe, chairman of Knutsen OAS AS and vice-president of the Norwegian Shipowners' Association, said it was important to avoid distortion of competition in the next decade through unilateral action on technical and safety matters by different countries. If countries such as the US acted alone on issues such as a requirement for double bottoms for tankers, then the efficiency of shipping would be reduced and consumer prices would have to rise. Changes to regulations should be dealt with through the IMO, as should regulations on crewing and qualifications.

Mr Hiroshi Takahashi, managing director of NYK Line of Japan, said liner companies were suffering severely from the effects of overtonnaging in the three main trades, yet they continued to compete to build ever larger container ships. Now was the time for all ocean carriers to discuss frankly ways of avoiding catastrophe.

The model for these discussions could be the Transpacific Stabilisation Agreement signed in March, which seeks to reduce overcapacity through co-operation. It was yet to be seen, however, whether carriers in the Far East to Europe and North America to Europe trades could follow suit.

Mr Ernest Fong, managing director of Marine Navigation, of London, said the tanker and dry cargo fleets were still suffering from significant overcapacity, but markets were becoming less turbulent. Experience of the last decade indicated the best policy for shipowners was caution.

Shipping was probably emerging from a long cycle of depression, during which structural changes had been implemented. However, attempting to forecast what steps should be taken to prepare for the new cycle was akin to shooting in the dark.

Mr Loucas Haji-Ioannou, chairman of Troodos Shipping, said it was not possible to predict the timing of events, but it was certain that the current revival in the freight market would be followed by a crisis. It was also inevitable that the crash of the tanker market in the 1970s would be repeated eventually. Shipowners should prepare themselves by accumulating large amounts of reserve capital to cover loan repayments when income from ships' operations dried up.

US, Japan seek deal on construction charges row

By **Stefan Wagstyl** in Tokyo

THE US Government and 140 Japanese construction companies are trying to negotiate an out-of-court settlement of a dispute over allegations of rigging bids and overcharging for work on US military bases near Tokyo.

The two sides are attempting to reach agreement in order to avoid a prolonged legal battle over the US's claims for damages from the building companies. The US originally demanded about Y15bn (£66m), but reports in Japanese newspapers said the settlement could be Y5bn.

An executive at a Japanese construction company said the two sides were trying to reach agreement by tomorrow. A US embassy official confirmed that talks were being held by staff from the Department of Justice.

The US demand arises from work carried out in 1984-87 when companies allegedly arranged bids at unfairly high prices for work on US military bases.

● Fujitsu and NEC, two Japanese electronics companies which ran into public criticism for making bids of Y1 for public sector computer contracts worth millions of yen, have presented reports to the authorities of steps taken to make sure they do not make unreasonably low bids again.

The two companies, which have already apologised for their actions, told the Ministry of International Trade and Industry, they would increase checks made by their head offices.

Airbus unveils deal with Aeroflot

The European consortium Airbus Industrie said it had a preliminary agreement with the Soviet state airline Aeroflot covering five firm orders for Airbus A-310 airliners, with options on a further five, Reuter reports from Paris.

A banking source in Paris said the preliminary agreement, or reservation, was dependent on the Soviet airline obtaining bank financing for the purchase.

Africa ill-prepared for challenge from Europe

Mark Huband reports on the need for greater regional co-operation to reap the benefits of 1992

FEARS of an impregnable European fortress closing its doors on Africa in 1992 are dominating trade discussions between the two continents. The urgent message from Europe is that Africa must develop strong regional markets in order to survive and benefit from the changing commercial climate.

The European perspective was bluntly set out last week. Mr Jacques Pelletier, the French Minister of Co-operation and Development, speaking at a conference in the Ivory Coast, urged Africa to establish regional markets along the lines planned in Europe.

"The changes in Europe are, to my mind, a model. Without a regional market, sub-Saharan Africa will not be organised on a sufficient scale to become an area of economic growth. Without political co-ordination in all areas – fiscal, social and legal – it will remain too weak in the face of the large groupings which are being established everywhere in the world."

"It is necessary," he continued, "for each African country to increase its competitive potential and to prepare themselves without delay to take on the European opportunities."

But it is clear that while on the European side there is much talk of the opportunities the Single Market will provide, particularly for African, Caribbean and Pacific countries (ACP) which are signatories to the Lomé Convention which guarantees a European market for many of their products, most of Africa is ill-prepared.

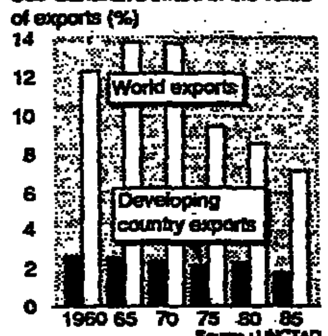
A common belief among delegates from the economically weaker African countries attending the conference, is that the freer flow of goods between European states will make it more difficult for exporters to Europe to find markets – except for the traditional commodities from which many African countries are trying to move away.

Most African countries, adopting structural adjustment programmes backed by the IMF and World Bank, are trying to encourage the private sector and rehabilitate industries in an effort to reduce reliance on primary agricultural products.

But this goal remains evasive. In 1987 oil and other primary commodities made up 89 per cent of African exports. Between 1973 and 1980 the continents' industrial sector saw an annual fall in growth of 5 per cent and negative growth between 1980-85. In most countries the industrial sector is run-down, and in need of new plant and equipment if the European challenge is to be met.

This problem also faces the privatisation programme. Throughout Africa there have been attempts to privatise some of the 3,000 state-owned companies. But the pace has been painfully slow, as there have been few takers. The selling-off of 90 parastatals in Nigeria, 100 in Ivory Coast, 30 in Ghana, 400 in Morocco and 20 in Mozambique has been

Africa
Sub-Saharan's share in the value of exports (%)



Source: UNCTAD

underway in the past 18 months, according to an African Development Bank report published in March. Only six of those in Nigeria have actually reverted to private hands.

In theory, privatisation should create a solid commercial base within Africa which will strengthen regional markets. But efforts to promote inter-regional trade are foundering. IMF statistics show that such trade between 1980 and 1984 made up only 4.5 per cent of the continent's imports and exports, and the overall trend is falling rather than rising. Other estimates put the current figure at 5 per cent.

Within the Francophone Economic Community of West Africa (CEAO) goods subject to the preferential Regional Co-operation Tax (TCR) accounted for only 1.2 per cent of regional trade in 1984 in the six countries which are party to the agreement.

Analysis by the United Nations International Trade Centre (ITC) of exports made by members of the Preferential Trade Area of Eastern and Southern African states (PTA) shows that while intra-African trade remains at 5 per cent, annual exports outside the continent are valued at $3.4bn and imports at $3.3bn on average for the period 1979-83.

The International Trade Centre identifies a lack of co-ordination between governments, a failure to co-ordinate production within regions and the absence of regional infrastructure, as the main reasons for the stagnation of regional markets.

Equally damaging has been the overall decline in Africa's share of world trade. In 1987 the ITC put this at 3.5 per cent, including South African trade.

The export of manufactured goods from ACP countries to the EC, US and Japan has fallen by more than half in each case since 1970. As African countries are being told that they must make themselves more attractive to overseas investors in the run-up to 1992, figures show that just the reverse has happened. As one sign of this, Japanese exports of capital goods to Africa fell by one-third between 1970 and 1986.

The Lomé Convention is vaunted as the key to greater African opportunities after 1992.

Current negotiation of the fourth Lomé Convention has seen agreement between EC ministers of a common position on trade and aid, though the value of the overall package has still to be decided.

Dr Michel Hauswirth, a special counsellor to the European Commission, told last week's Ivory Coast conference: "The European Community will respect its international obligations and, in particular, the continuation of the Lomé Conventions." But while European officials provide assurances that Europe is not about to up anchor and sail away, the central message of the conference remained: greater co-operation on all fronts between African states is essential if any of the benefits of 1992 are to be felt.

Ministers assess Gatt progress

By **Robert Thomson** in Tokyo

TRADE ministers from 26 countries and regions last night began an "informal" assessment of negotiations under the General Agreement on Tariffs and Trade aware that agricultural issues and strong US demands for bilateral trade agreements would provoke division among them.

The meeting is designed as a review of progress in the Uruguay Round of Gatt negotiations, due to be completed by the end of next year, and Japanese officials said the gathering would be considered a success if all the representatives had a chance to exchange opinions.

But the delegates have heard most of their colleagues' opinions many times. It is expected that agriculture, as usual, will prove divisive, with Japan defending its record as an importer and its import restrictions, the EC anxious to preserve its Common Agricultural Policy, and the Cairns group of agriculture producers, together with the US, pushing for more open markets and an end to subsidies.

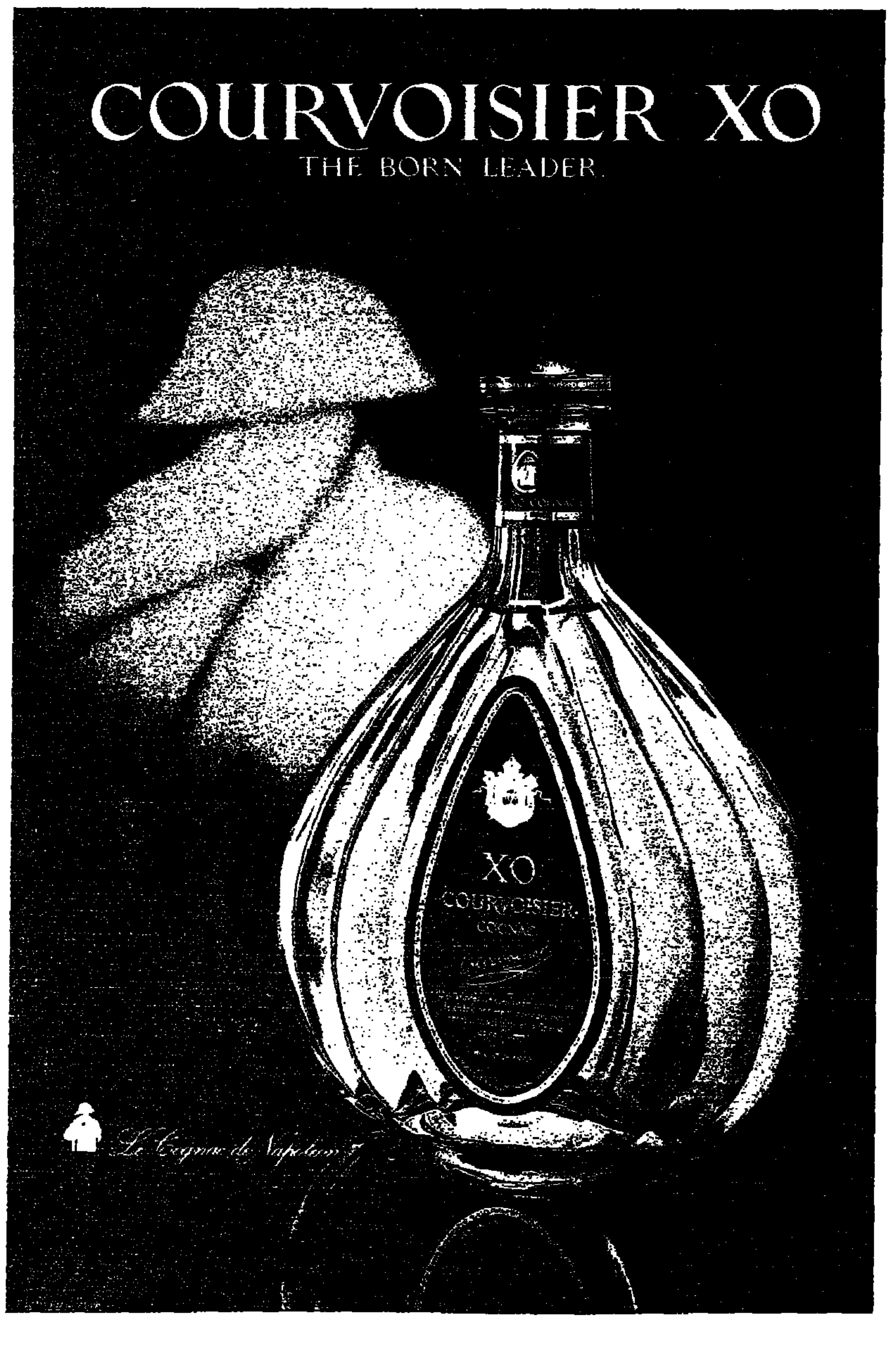
A Japanese trade official said that the US insistence that market access agreements, in particular those relating to tariff reductions, be negotiated with individual countries on a "request-offer basis" will also cause division, although "we hope that there will eventually be a compromise".

At a meeting of US, EC, Canadian and Japanese trade ministers earlier this week, Mrs Carla Hills, the US Trade Representative, made clear that Washington would not be happy with a multilateral formula for tariff reductions and wanted the flexibility to negotiate separate agreements.

Discussions at the conference, which concludes tomorrow afternoon, will be divided into three sections: Gatt rules, improving market access, and new Uruguay Round areas, including services and trade issues related to intellectual property rights and investment.

The Japanese official said that proposals by developed countries calling for the removal of restrictions on trade related to investment are likely to be opposed by developing countries, which often impose such restrictions to protect their industries.

He said that "there will always be differences when you put developed and developing countries in the one room".



Dunkel underlines newcomers' commitment to cutting tariffs

By **William Dullforce** in Geneva

COUNTRIES joining the General Agreement on Tariffs and Trade (Gatt) in recent times have been paying higher and higher entry fees in terms of reductions to their import barriers.

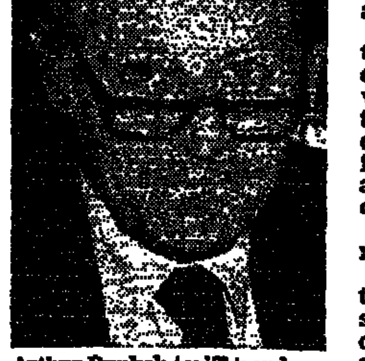
In the tariff schedules they have to negotiate with Gatt, newcomers such as Mexico, Bolivia and Costa Rica are undertaking commitments that are more far-reaching than those operated even by some developed countries, Mr Arthur Dunkel, Gatt's director general, told the International Chamber of Commerce in Bombay last week.

Trade officials are beginning to talk of a "new class" of developing countries inside Gatt, distinct from the "old-timers" who benefit from the special and differential treatment Gatt accords Third World nations.

Mr Dunkel said it was a far cry from the time when both developed and developing countries could enjoy the benefits of Gatt membership without serious challenge to their trade policies.

He referred specifically to the 1955 waiver, under which the US was allowed to exclude farm products from Gatt jurisdiction, and to elements of the European Community's Common Agricultural Policy.

The trend towards more rigorous commitments by new Gatt members started with Mexico in 1986 and is confirmed in the protocol of accession for Costa Rica agreed last week.


Arthur Dunkel: tariff trend set to continue

Mexico established and bound a maximum ad valorem tariff of 50 per cent on the bulk of its imports and undertook to reduce substantially tariffs in the 20-50 per cent range in the 30 months following its accession.

By "binding", governments guarantee that a tariff will not be raised again.

Subsequently, Mexico reduced its maximum tariff to 20 per cent, abolished a 5 per cent supplementary duty and is now estimated to operate a low weighted average tariff of around 10 per cent.

This contrasts starkly with the current situation in India, one of Gatt's original members, where the unweighted average tax on imports was recently calculated to be 143 per cent, including a drought surcharge and so-called countervailing duties.

Moreover, India has bound none of its tariffs.

Costa Rica has just undertaken to bind its entire tariff schedule and to set a 60 per cent ad valorem ceiling within one year of joining Gatt. This would be reduced to 55 per cent within three years.

A maximum 40 per cent tariff will be applied to most imports of finished goods by 1990 and to textiles, clothing and footwear by 1992.

The few exceptions include a 100 per cent charge on cars. In addition, within four years Costa Rica will eliminate current import surcharges and do away with its system of prior import permits.

Mr Dunkel said there was every reason to believe that Tunisia and Venezuela, now negotiating entry to Gatt, would follow the trend.

BRITAIN'S AUTUMN ECONOMIC STATEMENT

The aims of the Autumn Statement

The British Government separates decisions about Government spending from those concerning taxation. It publishes the former in the autumn and the latter in the spring.

Yesterday the Government published its plans for public spending for the year starting April 1990 and ending March 1991 together with its forecast of the UK economy's prospects for 1990.

Known as the Autumn Statement, this consisted of the broad, but firm outlines of public spending on defence, education, transport and health, to name but a few, and indicative levels of spending for the two years following.

In the spring it will publish its Budget, which consists of tax measures and further forecasts of the outlook for the economy.

Decisions on spending and taxation have always been separate in Britain, but it was the Thatcher Government which made the publication of the Autumn Statement an event.

The Government has added another refinement to the public spending process in Britain. It also publishes indicative spending targets for the two years after the one in question.

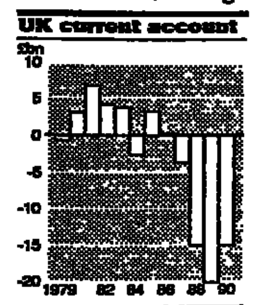
This complements its policy on the fiscal side, known as the Medium Term Financial Strategy, which seeks to place fiscal policy in a medium term context.

Simon Holberton

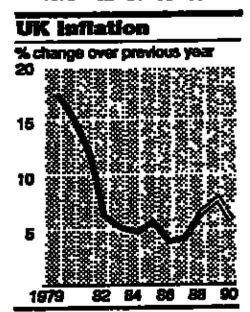
HIGHLIGHTS OF STATEMENT

ECONOMIC FORECASTS

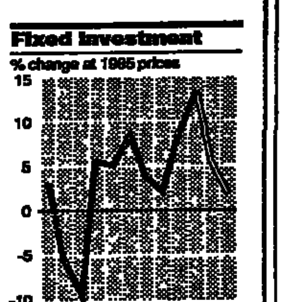
■ **Output:** Real GDP growth for 1989 revised downwards again to 2 per cent from 2½ per cent in the Budget and sharply downwards for 1990 to 1¼ per cent, lower than the gloomiest City forecasts and the lowest rate of growth since the 1980-81 recession.



■ **Balance of Payments:** Current account expected to show £20bn deficit in 1989 compared with a forecast of £11bn this time last year and £14½bn in the 1989 Budget Red Book. Forecast for 1990 now £15bn revised from £14½bn at Budget time.



■ **Prices and Earnings:** Outlook for retail price inflation much worse than previously forecast. Now expected to be 5¾ per cent by the end of 1990 compared with a Budget Red Book forecast that it would be down to 4½ per cent in the second quarter of 1990. Implication of worse prediction is that interest rates are likely to remain high throughout 1990.



■ **Fixed investment growth rate:** Business investment rose by 30 per cent in real terms between 1986 and 1988 and is likely to increase by further 9¼ per cent in current year but likely to fall to 4½ per cent growth rate in 1990. Investment in private dwellings rose 10¼ per cent in 1988, is forecast to fall 10 per cent in 1989 and fall a further 5½ per cent in 1990. The rate of growth in total fixed investment - business, private dwellings and central government - is forecast to fall from 13¼ per cent in 1988 to 5¼ per cent in 1989 and 1¾ per cent in 1990.

PUBLIC SPENDING

■ **Public spending planning total:** Public expenditure in 1989-90 likely to be £168bn, £1bn higher than the planning total partly because of lower than forecast proceeds from privatisation and partly from higher than forecast spending by local authories. Change of public spending definition invalidates most year-on-year comparisons except for general government spending excluding privatisation proceeds. On this basis tight control has been maintained taking expenditure as a proportion of GDP down to 38¾ per cent for 1989-90, lower than expected at this time last year and the lowest proportion for 23 years. It is forecast to rise slightly to 39 per cent in 1990-91 to 39 per cent and to ease to around the 1989-90 level in the following two years.

■ **Health:** Identified as a priority area with an additional £2.4bn in 1990-91 which, together with an estimated £200m more from efficiency savings and charges, means a resource increase of 11 per cent in nominal terms and about 5½ per cent in real terms. About £2.2bn of total is for England. An extra £166m is added to the 1990-91 capital programme, principally hospitals.

■ **Transport:** Planned spending on national roads is increased by £400m to allow early start on preparatory work for motorway widening schemes. Promise to eliminate backlog of road maintenance by 1992-93. Transport capital grants to local authorities increased by 24 per cent for 1990-91. London Underground external financing limit raised by £170m next year. British Rail external financing limit raised by £220m in 1990-91 to £650m. Unspecified investment related to Channel Tunnel.

CHANCELLOR OF THE EXCHEQUER'S SPEECH

Inflation remains highest priority

With permission, Mr Speaker, I should like to make a statement.

Cabinet agreed the Government's expenditure plans this morning. I am now able to inform the House of the public expenditure outturn for this year; the plans for the next three years; proposals for national insurance contributions in 1990-91; and the forecast of economic prospects for 1990 required by the 1975 Industry Act.

The main public expenditure figures, together with the full text of the economic forecast, will be available from the Vote Office as soon as I sit down. The printed Autumn Statement will be published next Wednesday.

PUBLIC EXPENDITURE

Mr Speaker, tight control of public expenditure remains a central element of the Government's economic strategy. Over the past seven years this has led to a sharp fall in the ratio of public spending, excluding privatisation proceeds, to national income.

This fall has made it possible to dramatically improve the Government's finances while still making substantial reductions in tax rates.

The ratio of public spending to GDP was nearly 47 per cent in 1982-83. In the current year, it is likely to be 38¾ per cent, significantly below the level expected at the time of the last Autumn Statement.

For the next two years the plans I am announcing today show ratios of 39 and 38¾ per cent. These are unchanged from the ratios published in last year's Autumn Statement, and permit a cash increase in general government expenditure in 1990-91 of around £5bn. By 1992-93 the ratio is expected to fall further to its lowest level since the mid-1960s.

For the current year, the outturn of expenditure is expected to be about £168bn, £1bn higher than the original planning total. This partly reflects a lower estimate of privatisation proceeds, but its principal cause is massive overspending by local authorities on both current and capital account.

'The ratio of public spending to GDP in the current year is likely to be 38¾ per cent, significantly below the level expected at the last Autumn Statement. For the next two years, the plans show rates of 39 and 38¾ per cent'

As the House knows, new arrangements for the finance and control of local authority expenditure in England and Wales are being introduced on 1 April 1990. This year's outturn shows how necessary these new measures are. Central government spending remains firmly under control.

The plans for the next three years have been set on the new definition of the planning total which the Government announced in July last year and which was welcomed by the TCSC. This includes central government support for local authorities, but excludes their self-financed expenditure.

The composition of general government expenditure is unchanged. For 1990-91, the new planning total has been set at £179bn and, in the following two years, at £192bn and £203bn respectively.

Within this the estimates of privatisation proceeds are unchanged, at £5bn a year. There are also substantial Reserves, rising from £3bn in 1990-91 to £6bn and £9bn in the following two years. The new plans also show continued real growth in spending on the Government's priorities.

Thus, between this year and next, spending on the NHS in the UK will rise by £2,400m. Taking account of income generation and cost savings, this is equivalent to a £2,600m increase in resources, or 5¼ per cent in real terms.

These plans will finance the improvements in the management of the service that are outlined in the NHS Review. They provide more than £200m extra for hospital building and other capital expenditure next year.

And they will finance a continuing growth in services for patients. They are the clearest possible evidence of the Government's practical commitment to improving the care available in the NHS.

There will be substantial increases also for investment in transport. Spending on national roads is planned to double between 1988-89 and 1992-93.

Extra financing of £400m to £500m a year is being made available for the railways and London Regional Transport, including upgrading the services on Network South-East and the London Underground, to relieve congestion and [illegible] improve safety, and for rail services for the Channel Tunnel. In total we have added £1.8bn to the planned spending on transport in the next two years.

The plans provide an extra £250m over the next two years for a new initiative to tackle homelessness, to be announced today by my Rt Hon Friend the Secretary of State for the Environment. And central government support for the provision of new homes by housing associations will more than double from £800m in 1989-90 to £1,700m in 1992-93.

There will be an increase of over £500m in the total resources available for higher education in 1990-91 compared with this year.

This will provide for the continuing growth in the number of students, which has risen by 30 per cent since 1979, and is now at a record level; and cover the cost of the Government's proposals on top-up loans. There is provision for more environmental research...and the doubling of our contribution to the UN Environmental Programme.

About £1½bn has been added to planned capital spending by central government and public corporations in 1990-91. This represents a real increase of around 10 per cent compared with 1989-90.

The new plans include the money central government provides to support local authority spending. The Government's proposals for Aggregate External Finance in 1990-91 were announced to the House in July. Measures have also been announced which will ease the transition from rates to community charge.

The cost to the taxpayer of these measures will be nearly £700m in 1990-91, with further substantial sums in each of the following two years.

Capital grants and credit approvals will provide central government support for local authority capital expenditure under the new arrangements.

The new plans provide support for a sustained programme of school and college building and modernisation, for local authorities to contribute to the homelessness package, for transport projects, as well as capital spending on other local services, including local roads and environmental improvement.

As in the past, these improvements have been possible only through a rigorous selection of priorities; substantial gains in value for money; and a very welcome reduction in the burden of debt interest. They have been found within an affordable level of total public spending.

Overall public spending excluding privatisation proceeds is expected to grow on average by 1¾ per cent a year in real terms throughout the period between 1988-89 and 1992-93. This was the rate of growth projected in last year's Autumn Statement and we have stuck to it. Over the 1970's, a decade of high borrowing and high inflation, as well as high public spending, it grew by 3 per cent a year.

Mr Speaker, the Government's new plans demonstrate its continuing commitment to two vital principles. First, to maintain firm control over total spending. And second, to increase efficiency, in order to provide more resources where they are most needed.

I should like to congratulate my Rt Hon Friend the Chief Secretary for his skilful and successful conduct of the public spending round.

NATIONAL INSURANCE

I turn next to national insurance contributions. As the House knows, we have now implemented the reform of employee contributions announced by my Rt Hon Friend the member for Blaby in the Budget. From last month, two of the three step increases in contribution rates have been abolished.

This means that employees who get pay increases taking them just above these steps can no longer lose more in higher contributions than they gain in extra pay. And the initial step at earnings of £43 a week, where people first enter the contribution system, has been more than halved.

These measures have reduced contributions by up to £3 a week for nearly 19m employees and are of particular help to many employees on modest incomes; they have also removed some important disincentives.

The usual autumn review of contributions has been conducted in the light of advice from the Government Actuary on the prospective income and expenditure of the national insurance fund, and taking account of the statement on benefits made in October by my Right Hon. Friend the Secretary of State for Social Security.

Next year, the initial class 1 contribution rate payable on earnings up to the lower earnings limit will remain at only 2 per cent.

This means that a payment of only 92p per week will buy entitlement to the basic pension and other contributory benefits for those who earn just enough to pay contributions. On additional earnings, up to the upper earnings limit, the rate will remain unchanged at 9 per cent. For employers, the main rate will also be unchanged at 10.45 per cent. The lower earnings limit will be increased to £46 a week, in line with the single person's pension, and the upper earnings limit will be raised to £350 a week. For employers, the upper limits for the three reduced rate bands will be increased broadly in line with prices.

ECONOMIC PROSPECT

I am also publishing today the economic forecast required by the 1975 Industry Act. It is clear beyond any doubt that the economy has greatly strengthened over the last decade.

We have experienced eight years of strong and sustained growth with inflation at moderate levels. This has brought an increase in employment of about 2¾m since March 1983 and a sustained rise in living standards. However it is also clear that in the last two years, 1987 and 1988, demand – and with it output – rose at a rate which exceeded expectations and could not be sustained. That became apparent in increased inflationary pressures and the growth of the current account deficit.

These pressures had to be reduced and monetary policy was tightened accordingly. The effects of this tightening are already apparent in recent retail sales figures, and the turnaround in the housing market. The Government's fiscal position is also very strong. I now expect this year's fiscal surplus to be about £12½bn, equivalent to 2½ per cent of GDP. That represents a very tight fiscal stance by any standards.

Both tax yield and expenditure are higher than forecast at Budget time. But lower proceeds from privatisation and the high take-up of personal pensions mean that the Public Sector Debt Repayment will be slightly below the Budget projections.

Looking at the wider economy, as always, a great deal depends on the actions of individuals and companies. So there is bound to be uncertainty about the speed with which the economy will adjust to the present tight stance of policy.

Our forecast is that growth in domestic demand will be a little over 3½ per cent in the current year, a sharp, but inevitable, slowdown from over 7 per cent recorded in 1988.

Non-oil GDP is expected to grow by 3 per cent this year. GDP growth as a whole for the current year looks like turning out at 2 per cent, a little below the forecast published at Budget time. This results from lower than expected North Sea oil production, which is taking longer than expected to recover from the serious accidents of the last two years.

Business investment is likely to increase by 9¼ per cent this year, giving a total of over 40 per cent in the three years to 1989. This is the largest-ever rise in business investment over a three year period and is 2½ times as fast as the growth of personal consumption over the same period. This has inevitably contributed to strong import growth and a higher current account deficit in the short run. Notwithstanding this unwelcome effect, the resulting increase in productive capacity will help to sustain the growth of output and in due course bring the deficit down.

Looking ahead to 1990, our tight fiscal and monetary policy will have an increasing impact both on household spending and on company spending, which typically reacts later than the personal sector. Investment should continue to grow, but it will do so more slowly.

The slowdown in the economy means that GDP is forecast to increase by only 1¼ per cent in 1990. This will bring the average growth in the four years to 1990 to 3 per cent a year. As domestic demand slows, import growth should moderate. At the same time, the strong rise in exports, which has been one of the most welcome developments in 1989 is forecast to continue. Non-oil visible exports are expected to rise by over 11 per cent this year, the highest rate since 1973, and we expect a further substantial increase next year.

As a result, we now forecast that the current account deficit will fall from some £20bn in the current year to about £15bn in 1990.

'Following the recent rise in mortgage rates, inflation will remain high for some months, but our forecast is for it to fall to 5¾ per cent by the fourth quarter of 1990. And I expect to see it fall still further after that'

We will also see a further reduction in inflation. The headline measure of retail price inflation has already peaked at over 8 per cent in May and June this year, and has since come down a little. Following the recent rise in mortgage rates, it will remain high for some months. But our forecast is for it to fall to 5¾ per cent by the fourth quarter of 1990. And I expect to see it fall still further after that.

Mr Speaker, our main priority must be to bring inflation decisively down, and keep it down. To achieve this, the economy must slow down for a while. This does mean that 1990 may not be an easy year. But the economy enters the 1990s in incomparably better shape than it entered the 1980s.

The supply side reforms of the last decade have left business and industry better able to handle both the short-term difficulties before us and the longer-term opportunities to come. I have no doubt that we must stick to the policies that have turned the British economy around. And that we are determined to do.

The fat man, the straight man and a miracle

THE fat man has left the stage; the straight man is doing his best. It is not show business, but it is not bad. Given the circumstances, Mr John Major has made a good start – surprisingly good only to those who do not know him.

The new Chancellor of the Exchequer started to prepare yesterday's autumn statement just a few weeks ago, following the sudden and startling resignation of his predecessor, Mr Nigel Lawson.

The notes he found in Mr Lawson's bottom drawer would, I am sure, have led an unwary newcomer to portray every disaster as a triumph, every new loss on the balance of payments as irrelevant, every movement in the retail prices index as either a blip if upwards, or a bottoming-out if nearly unchanged.

Mr Major does not deploy the stagecraft of his predecessor, but he is a wary fellow. He kept his tone moderate, his language careful.

Not a foot was put into a bucket of warm glue; not a garden rake was trodden on at the wrong end. He avoided the self-mutilation that might have arisen had he forecast a recession, but managed nevertheless to indicate that next year will at best be a close-run thing.

After that, his statement appears to suggest, the outlook will be much improved. He was too modest even to hint that, if that turns out to be the case, the Conservatives will have been saved the ignominy of defeat at the next general election or that he himself would attract most of the credit for the turnround.

None of this needed spelling out. The Chancellor enjoys the considerable advantage of having been responsible for last year's public expenditure round – which seemed OK at the time – but of having had no responsibility whatsoever for the overall fiscal and monetary strategies which landed us in the present pickle. That is all down to Mr Lawson.

He was the chap they loved to distraction a few weeks ago but who they now say kept swinging around a long ladder held horizontally and knocking everyone in the face.

All that Mr Major has to do is keep repeating that the policies of the pratfall artist remain in force while allowing the rest of us to deduce that under the straight man's management things will be different.

This was of perhaps greater significance in the House of Commons yesterday than the precise details of how much extra money (within an unchanged total expressed as a share of gross domestic product) is being spent on electorally desirable items such as roads, railways, hospitals and schools.

In any event the past misbehaviour of the Treasury is such that no one believes its figures the first time they are uttered. They are always bent to suit the occasion. There are white lies, lies, statistics, and Treasury tables. Thus it was quite predictable for Mr John Smith, the Labour shadow Chancellor, to seek to demolish Mr Major's claims, particularly on health, as soon as he had sat down. The wise spectator waits until there has been time to read the fine print thrice and thrice again.

Mr Major was not upset by any of this. His job, like that of all other members of the Cabinet, is to put the Government – and the political world – gently to sleep for a year, in the hope that when it wakes up the balance of payments deficit really will be on its way down, inflation will be below 6 per cent and falling and a return to proper growth can be forecast for 1991.

Then, the theory runs, 1989-90 will seem like a bad dream, one to put behind us before the much happier year of 1991. Perhaps the happiest month of that year will be October, in which Mr Major's election miracle could well take place.

He had better be right. Facing him across the despatch box are Labour's Keystone Cops, ready to beat the Government about the head at every opportunity during the next couple of years.

Where is the money for the ambulance drivers? What of the mean treatment of the haemophiliacs who were given Aids by NHS-purchased blood? Why has the Treasury failed to specify extra finance for care for the elderly, in advance of the publication of the Griffiths report? Will teachers not remain underpaid? The country may simply refuse to sleep through all that.

The straight man did not write the script, but he has a heavy responsibility for ensuring a happy ending.

Joe Rogaly

Major outlines a cautious forecast for the economy

By Simon Holberton

MR JOHN Major, the Chancellor, showed himself to be a man of caution in his first Autumn Statement.

In his forecast for the British economy next year Mr Major has opted for an each-way bet where the instincts of his predecessor Mr Nigel Lawson would have been to place his money for a win.

Mr Major has set objectives that look broadly credible and may, if the economy responds quicker to monetary policy than he assumes, be bettered.

The surprise in the Autumn Statement is the public finances which look like heading towards balance at a faster rate than assumed at the time of the Budget. The Treasury has lopped nearly £1.5bn off its forecast for the Budget surplus this year and now thinks it will be £12.6bn.

The lower Budget surplus, together with the changes to monetary policy announced in the Chancellor's Mansion House speech last month, mean that the Bank of England's role as a buyer of Government stock is probably over for the rest of this financial year. But there is the *tantalising possibility that before* the next election it might even have to issue stock.

Although there are risks in the forecast Mr Major presented of the economy's prospects next year, it is in broad outline a much more cautious, and probably realistic, appraisal than has been presented over the past two years.

Growth next year of 1.25 per cent – the lowest annual rise in output since the recession of 1980-81 – and just 0.75 per cent for the non-oil economy, a recovery in the current account deficit on the balance of payments, and inflation at 5.75 per cent at the end of 1990 all look achievable.

For the growth forecast to be achieved, however, business confidence must be sustained and business investment must keep growing; and industry must switch a significant amount of production from a stagnant home market to exports.

It is a forecast which assumes the brunt of the slowdown in prospect is borne by the consumer and the services sector of the economy.

If under the pressure of 15 per cent bank base rates, industry curtails investment by more than Mr Major forecasts or cuts its stocks by more than the modest £300m he has sketched in, then the economy may cease teetering on the brink of a recession and fall into one.

The future course of pay settlements remains crucial to the outlook for inflation and *employment. Growth in* employment would flatten out, the Treasury said, but it failed to elaborate on a comment that "higher pay settlements would have consequences for employment."

Mr Major talked tough on inflation but in his forecast he appears to have allowed little room for improvement, or, more likely, for doing better than he forecast.

The Treasury made much of the merit of the retail prices index excluding the effects of mortgage interest payments, the so-called underlying rate of inflation, but did not offer a forecast.

It would appear the the fall to 5.75 per cent in inflation this time next year owes most to the arithmetical effects of the November 1988 and November 1989 rises in mortgage interest rates falling out of the calculation next year. On the face of it, this would suggest that the *underlying rate* stays well above 5 per cent at the end of next year.

Although the Treasury suffered from an excess of optimism about the trade account at the time of the Budget – it assumed that exports and imports would grow at the same rate – its latest forecast appears more realistic.

There was broad agreement in the City last night that the growth forecast for imports and exports was pointing in the right direction and the outcome might even turn out better than its expectations. A £5.5bn growth in net exports is the main engine of growth next year.

The risks lie in the Treasury's forecasts for consumption, investment and stocks. Despite its (muted) warnings on pay it would seem that the modest 1¼ per cent growth in consumer spending is going to result from positive real income growth, that is, pay rises continuing to exceed the rate of inflation.

FORECAST FOR THE UK ECONOMY

	Treasury: Budget	Treasury: Autumn Statement	City (Consensus*)
GDP			
1989	2.5	2.0	2.0
1990	2.5	1.25	2.2
Consumer Spending			
1989	3.5	3.75	2.0
1990	2.0	1.25	2.0
Fixed investment			
1989	4.5	5.25	6.9
1990	3.0	1.75	1.7
Manufacturing output			
1989	3.5	4.5	4.2
1990	1.5	1.5	2.6
Inflation (Q4)			
1989	5.5	7.5	6.8
1990	4.5	5.75	5.2
Exports			
1989	4.5	4.75	4.9
1990	7.0	6.25	5.7
Imports			
1989	4.5	9.25	8.6
1990	3.0	1.25	2.8
Current Account (£bn)			
1989	-14.5	20.0	-17.4
1990	-12.0	15.0	-13.3
PSBR			
1989/90	-14.0	12.5	-14.7
1990/91	-10.0	n/a	-13.3

Source: HM Treasury; *Average of 11 City Forecasts compiled in October by HM Treasury
Note: Treasury Budget forecasts (published March, 1989) for 1990, first 6 months of year only.
Unless otherwise specified all figures refer to annual growth rates.

UK NEWS

High interest rates help curb industrial output

By Patrick Harverson, Economics Staff

THE OUTPUT of British industry fell unexpectedly in September, providing further evidence that manufacturing production is slowing under the pressure of high interest rates and weakening domestic demand.

The City of London had been expecting the data to show a small rise in production during the month. The Central Statistical Office said yesterday that the index of manufacturing output fell a seasonally adjusted 1.1 per cent in September, compared with a revised 0.4 per cent rise in August.

CSO statisticians have cut their estimate of the underlying annual growth rate in manufacturing output to 3¾ per cent in the wake of the September drop in production. The new figure compares with 4 per cent estimate in the previous month, and the peak of 7 per cent in January.

The City welcomed yesterday's production figures as clear proof that the policy of using high interest rates to slow the pace of economic activity was working. Mr Nigel Richardson, UK economist at Warburg Securities, said: "It is a sign that the economy is now cooling off on the supply side as well as the demand side."

The manufacturing output data will reinforce fears that the Government's tight monetary stance is pushing the UK economy close to recession. Mr Gordon Brown, the shadow trade and industry secretary said: "These figures are bad news for British industry. They show the Government's high interest rate policy is now doing huge damage to British industry and to our economic prospects."

The CSO and City analysts warned against taking the September's data in isolation. They said that production statistics were prone to erratic behaviour.

Yet the extent of the slowdown this year was illustrated by the three-monthly data, also published yesterday. This showed that for the second consecutive quarter manufacturing output rose by just 0.5 per cent, taking the annual rate of quarterly growth to 3.2 per cent.

Energy production was unchanged in September, but the three-monthly data showed output up by 5.5 per cent on the previous quarter. This reflected the continued recovery in oil production following last year's Piper Alpha disaster.

Liberal Democrats warn of EMS 'foot-dragging'

By Michael Cassell, Political Correspondent

THE Liberal Democrats yesterday called on the British government to achieve full membership of the European Monetary System by next July and warned that "foot-dragging" over Europe could seriously weaken the City of London's international role.

Lord Jenkins of Hillhead, the *leader of the Liberal Democrat* peers and the former president of the European Commission, said Britain was in danger of being frozen out of the community by other member nations who were growing tired of Mrs Margaret Thatcher's constant resistance to EC initiatives.

Speaking at a Westminster press conference, at which his party set out its own proposals for reacting to recent events in Eastern Europe, Lord Jenkins claimed that Mrs Thatcher's inability to work with others would lead to enormous cost for Britain.

Other EC countries, Lord Jenkins said, were increasingly weary of Britain's obstructive approach and were increasingly attracted by the idea of an "inner" EC, excluding countries like Britain and Greece, he said.

ANZ arm pulls out of UK equity market

By Richard Waters

THE severe overcapacity in the UK equity market yesterday claimed its latest, and one of its largest, victims as ANZ McCaughan announced it was pulling out with the loss of 150 jobs.

This marks the most substantial withdrawal this year and the first since last month's stock market turbulence.

Mr David Browne, managing director of McCaughan, the UK investment banking arm the ANZ Banking Group, said the company had suffered from a "flight to quality" which has seen investors turn away from small companies because of uncertainty in the stock market. The bulk of McCaughan's UK equity business involved small company shares, he said.

The withdrawal – which follows McCaughan's departure from the gilts market in the summer with the loss of 45 jobs – does not affect its other London operations. These include an Australasian equities business, employing 30, and a merchant bank, with 60 staff.

McCaughan's involvement in UK equities stemmed from ANZ's purchase of Grindlays Bank in 1987. As part of this purchase it inherited Capel-Cure Myers, which had been acquired by Grindlays to take advantage of the deregulation of the London stock market in 1986.

It took over Capel-Cure Myers on October 1, 1987 – just days before the stock market crash. The firm has not made a profit since.

Mr Browne said that inheriting Capel-Cure Myers "would probably not have been the way we would have started (in UK equities) if we had had the choice."

The private client and fund management arm of Capel-Cure Myers, which did not fit McCaughan's strategy, was disposed of 18 months ago and continues to operate under that name.

McCaughan is understood to have looked for a buyer for the business it closed yesterday, but without success.

The departure leaves the UK equity market with 29 market makers.

Bank seeks vigilance against crises

By Simon Holberton, Economics Staff

GREATER vigilance by regulators is needed if financial crises are to be avoided or their impact on economies is to be lessened, a Bank of England study recommends.

Mr E.P. Davis, of the Bank's international division, says that his study of four financial crises over the past 15 years and the economic theory of financial crisis offers pointers for central banks and other regulators at the current time.

He draws short from saying explicitly that the present situation in the UK and US may constitute a pre-crisis period, but he highlights six areas to which regulators should pay special attention. These are:

- the growth of private sector indebtedness beyond the range of historic relations with income and/or asset valuations,
- the tendency of investment banks to take on large exposures, often of a sizeable proportion of their capital, during leverage buy-outs and other transactions,
- the rapid recovery of speculative activity in equity and debt markets after the October 1987 stock market crash, particularly LBOs,
- declining spreads on syndicated loans for companies in the Organisation of Economic Co-operation and Development area,
- the rise in global inflation and the need for tightening monetary conditions,
- and the intense competition among financial intermediaries which focuses on market share rather than profitability.

In his study, Mr Davis looked at the crises in the interbank market after the floating of exchange rates in 1973, the Third World debt crisis of the early 1980s, the crisis in the floating rate note market of 1986, and the October 1987 stock market crash.

He evaluated these financial crises against five theories of financial crisis - the monetarist approach, debt and financial fragility, rational expectations, uncertainty, and credit rationing.

Mr Davis found that the four crises followed accumulation of debt and substantial speculation in assets and they followed a shift in circumstances which was unforeseeable or unforeseen.

FT-SE 100 unlikely for water groups

By Clare Pearson

HOPES that shares in the biggest water companies will form part of the FT-SE 100 Index *look unlikely to be* realised when dealings in the stocks start early next month.

Membership of the index, which comprises Britain's biggest 100 companies, ensures the *highest* profile for a market entrant, and virtually guarantees investment by certain institutional funds.

It had been widely expected that Thames, the biggest former water authority, and possibly Severn Trent, would be eligible for inclusion.

But the Government is keen not to overprice the shares fol*lowing the downturn in the* stock market in recent weeks. This means that it now looks unlikely that even Thames will be big enough to join.

When the price for the flotation is set next Wednesday, Thames is expected to be valued at least £900m. To be eligible for inclusion, the shares would have to leap to a sub*stantial premium*, valuing the company at about £1.2bn, when dealings start.

The composition of the index is next due for quarterly review on December 13, the day after the water companies make their stock market debut.

London financial observers say non-inclusion in the FT-SE 100 may deter buying by some overseas investors, and *some* funds with their performances linked to this index.

However, all the companies should be able to join the FT-A All – *Share*, the wider measure for indexed funds.

A new water category is being created within this index, which the companies will be able to join early next year, it was announced yesterday.

Lawyers challenge Clowes payments

By Richard Waters

THE £13m which was to be distributed last month to investors in the offshore arm of Barlow Clowes, the investment group that failed last year, will be now be held back as new legal action is taken over the division of the money.

The 11,000, mainly elderly *investors in BCI have received* no money since the collapse of the investment group in June 1988. Their lawyers are attempting to set a legal precedent by challenging a share-out decision which would leave 9,000 investors with nothing.

The High Court ruled earlier this year that the liquidators should attempt to "trace" investors' money through BCI, rather than simply share out whatever money is recovered *pro rata* between all investors.

As a result, the £13m was ready to be distributed to just *2,000 investors, leaving the* remainder with no payment. Further money recovered from BCI would have been paid out on a similar basis.

Mr Antony Gold of Manchester-based solicitors Alexander Tatham, explaining the decision to appeal against this, said it created a situation in which a minority of investors would get back virtually all their money, while the majority would receive nothing.

To succeed, the appeal will have to overturn a legal prece*dent dating back to the* last century. Case law in the area is based on the *Rule in Clayton's Case*, a fundamental decision which established a "first in, first out" rule for money held in *an* account.

Under this, any money taken out is deemed to be the money that was first paid in, implying that whatever is left in the *account belongs to* later investors.

Thomson cuts another 500,000 tour holidays

By David Churchill, Leisure Industries Correspondent

THOMSON HOLIDAYS, Britain's biggest package tour *operator*, yesterday announced further cuts of 500,000 holidays from next year's planned capacity.

This brings the total cutbacks announced by Thomson in recent weeks to almost 1m holidays.

At the same time Thomson is closing eight regional sales *offices* around the UK - with the loss of 180 jobs - and concentrating on one central sales office in Manchester.

The cuts have been forced on Thomson by the sharp drop in the level of demand for both winter and summer package holidays next year.

Mr Charles Newbold, Thomson's managing director, yesterday blamed the recent rise in interest rates for the slump in demand.

"Our research suggests that about 2m people will be unable to take a package *holiday* next year because of extra mortgage commitments, so we are reducing our capacity now rather than wait until next year," he said.

Thomson is predicting a 20 per cent slump in the total package holiday market for next year, reducing the total number of *holidays likely* to be sold to 9m.

Britain's class system 'similar to that of US'

By Alan Pike, Social *Affairs Correspondent*

BRITAIN IS a less uniquely class-conscious and class-bound society than is often suggested, according to an international social attitudes survey published today.

On most issues of social class, says the report by Social and Community Planning Research, Britain is somewhere in the middle of the international league and not very different from the US. Levels of upward mobility between generations varied little among nations, with Britain in the middle of the league table and the US showing only slightly greater levels of upward mobility.

Americans and Australians were more optimistic than others about their chances of becoming prosperous, but it was their optimism, not the reality, which distinguished them from other nations.

Although these results might seem surprising, says the report, similar ones have been recorded in technical and scholarly literature for some time. But there remains a "disconcerting gap" between well-established findings of contemporary social science and public discussion on the issue.

When the UK class system was examined in relation to other countries, the answer was emphatic. Although aspects of the British structure set it apart from most others – for instance, the abiding relationship between social class and political party – there were not many differences. "Such differences as there are have been talked up, as much by British observers as by anyone else."

The survey shows that British people are less inclined than others to regard themselves *as* occupying a high social position. While 18 per cent of Americans placed themselves on one of the top three rungs of a 10-rung social ladder and 10 per cent on the bottom three rungs, the figures for Britain were 8 and 17 per cent.

● *British Social Attitudes, Special International Edition, 6th report. £32 hardback; £15.95 paperback.*

Telephone cards

Collecting a profit

Terry Dodsworth explains why Paytelco hopes customers will not use its products

If a new company called Paytelco has its way over the next few months, the British public will be swept by a wave of enthusiasm for telephone card collecting.

"Télécartisme", as the French call it, has already become a craze in France and Japan. A similar take-off in Britain, Paytelco believes, is only waiting to be triggered by a new generation of cards.

The cards being launched by Paytelco are geared deliberately to appeal to collectors. They will carry advertising slogans and colourful designs. There will be several different printed messages. And over time, the designs and the advertisers are expected to change, maintaining a constant stream of different cards to divert the collectors.

Attracting the collectors is an important element in Paytelco's strategy. The company is being launched by a consortium of GPT, the public call box manufacturer, Mercury telephone operating company and a handful of retail and petrol groups. Each of these partners expects to gain something from the joint venture – GPT hopes to sell more telephone boxes, while Mercury will promote its image, and the retailers will be able to advertise their products on the cards.

Yet a great deal of the economic return for the venture swings on the fact that the attractively-designed cards are often sold to customers who do not exhaust all the units of telephone time available on them.

On average, according to Alex Findlay, general manager of Paytelco, people fail to use up about 30 per cent of the units on a card, partly because of carelessness and loss, but also because many of the cards are bought by collectors and never used. Indeed in countries such as Japan where collecting has been encouraged by the production of a range of advertising-based cards, the unused proportion can be as high as 50 per cent. The effect of this is that the charges run up by Paytelco should be sufficiently less than the value of the cards being sold in order to leave a comfortable profit margin to distribute among the partners.

Making the formula work, however, will depend on the success of the collecting concept in the UK, where the collectors' market has been slower to develop than in some other countries because of the limited number of different British cards on offer.

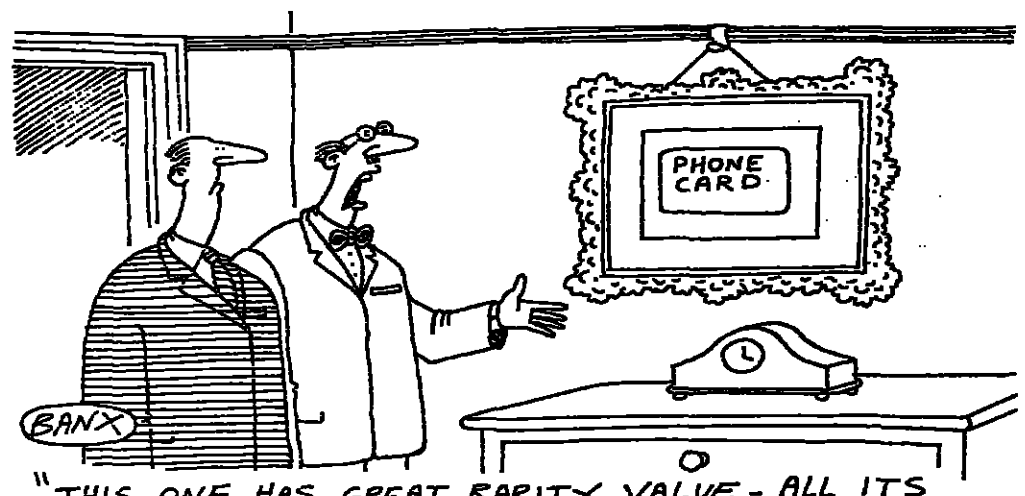
In France, for example, the advertising industry caught on to the idea of employing cards for promotional reasons several years ago, and there are now 350 limited editions of 1,000 cards in issue. Japan has many more advertising-based cards.

One of the obstacles to growth in Britain is that British Telecom invested in an early plastic card technology which is not suitable for rapid and frequent design changes; another is that the use of cards is growing so rapidly in the UK that manufacturers have found it hard to keep pace with demand.

But the Government deregulation of the pay-phone business, which has already brought Mercury into the market and is now leading to the launch of Paytelco, is expected to provide the stimulus that has been lacking up to now.

Signs of growing British enthusiasm for collecting have come recently from the Isle of Man, where the local telephone company has produced highly popular editions based on the annual motorbike racing championship. Interest is also evident in the prices that special cards are fetching.

Steven Hiscocks, a civil servant at the Department of Energy, who claims to have written the first book on collecting telephone cards, says that the very first BT £1 issues are now worth between £28 and £30. A BT card produced for the Student Industrial Society two years ago changes hands today at £300 and £400. This is comparable to the value of some of the higher priced French cards, although the most expensive purchase anywhere so far is believed to have been for a special issue produced for the Windsor Hotel in Paris. It was bought by an



"THIS ONE HAS GREAT RARITY VALUE – ALL ITS UNITS ARE USED UP."

American collector for FFr30,000.

Hiscocks is a keen philatelist who specialises in telegraph and telephone stamps from the 1880s. He became interested in telephone cards when he saw the numbers being produced in Europe. He began cataloguing them, and then put this information together as a book which has sold 4,000 copies and is now being revised. He says that card collecting has become a "hobby in its own right".

But he has a word of warning about the indiscriminate issue of new advertising-based cards. In Japan, there are so many cards in circulation that users customise them by putting their own photograph on them in special machines. France also, he adds, is beginning to produce too many cards.

"Philatelists understand the importance of a responsible issuing policy. When you get someone who does not have the faintest idea of the collecting market and who is only interested in making money, you can very easily cheapen the market beyond repair."

Findlay agrees that it would be foolish to flood the market. Paytelco, he says, will aim to have a fair amount of choice available when the new cards go on to the market in spring next year. But it will then follow a careful policy of fresh introductions depending on market reaction. "We have some excellent designs," he says. "Just wait."

Is global a load of boloney?

By David Churchill

As the name perhaps suggests, "globaloney" is a polite way of saying that the global – strategy – at all – costs trend of the 1980s is just that – a load of "boloney".

At least that is the view of advertising agency D'Arcy Masius Benton and Bowles which has just published a strong condemnation of the global marketing and branding philosophy of the 1980s.

"This meant taking all strategic and executional decisions centrally and imposing them on local operations who had to act them out whether they liked it or not," it says. "In the new European situation of the 1990s, we see this as a recipe for disaster."

The advertising agency advises marketers to "try for global strategy by all means" but suggests that "you should not foist this on your brand: it may look more efficient but it may be less effective in the market."

But DMB&B is not saying that pan-European marketing is a waste of time. It believes that in western Europe there exist groups of consumers with similar lifestyles identifiable by astute marketers.

These groups are identified in terms of economic status and basic aspirations (to get on, to belong, to survive and so on) but it stresses that "cultural responses of some groups will differ dramatically by country for the majority of product fields."

Up-market consumers, it suggests, are more likely to respond to a global strategy. "But if your brand's centre of gravity is the non-elite groups, you should be suspicious of global strategies."

DMB&B argues that marketing at a european level is no different from marketing at a national level: it is about creating or meeting demand. "You should get a detailed understanding of the cultural differences surrounding your brand in each country, and proceed from there. Don't regard the use of locally invented ideas as a failure: they may be better."

The Euroconsumer, Marketing Myth or Cultural Certainty; DMB&B, 2, St James's Square, London, SW1. Free.

"The sponsoring of sport has an effect which is seven to eight times greater than a corresponding effort through traditional advertising or other kinds of promotion" – Ingemar Ortendahl, vice-president, Volvo.

"Without sponsorship, I question whether the project would have shaped up as it has ... Nescafé is now legitimate among young people" – Piers Devereux, Nestlé senior brand manager.

How sponsorship plugs away at the market

Philip Rawstorne reports on the gains made by Volvo and Nestlé

These two testimonials, given at a conference in London last week arranged by Strategic Sponsorship consultancy, are an indication of an increasing commitment by companies to sponsorship as a means of achieving a variety of marketing objectives.

Indeed, they are also examples of how sponsorship can be incorporated as part of quite different marketing strategies and on different scales.

The worldwide sponsorship business is now worth an estimated £1.4bn a year.

Spending on sponsorship in the UK, according to Advertising Association/RSL figures, is expected to reach £275m this year, putting it above posters and radio advertising.

Volvo, the Swedish car maker, and Nestlé, the food and beverages multinational, are using sponsorship with contrasting aims in mind.

Volvo first entered sports sponsorship by putting $15,000 into a US tennis tournament in 1973. While it does not disclose how much it is currently putting into sponsorship, it is estimated that it is spending £3m a year on five sports worldwide.

Most of that – some £2m a year – goes on the European Professional Golf Tour, the rest on tennis, sailing, skiing, and equestrian events. A similar amount is spent on supporting promotional activity.

It is now setting up a new company, based in Brussels, to handle all its sports promotion activities and may extend into sponsorship of cultural events.

Volvo's main objective in using sponsorship has been to secure increased brand name exposure. It has carefully chosen sports with a broad international base and where the profile of the people engaged in them tallies with the company's customer profile. "They are people with an active outdoor life ... very family-minded ... of a certain economic standard," says Ortendahl.

"This is how we achieve the most effective communication ... lining up a target in the gunsights rather than relying on the hit-and-miss method of the shotgun."

Volvo's policy was to put its money into the sports themselves, not individual sportsmen or women. "No matter how brilliant, he or she will disappear from the arena in time ... and it can all go wrong, as with Ben Johnson."

Ortendahl says: "Our calculations are always based on the extent of television exposure. This is our chief means of getting interest on the money we have put into the ventures." The company signs long-term contracts wherever possible: "as in all communication work, repetition is of enormous importance," he explains.

Sports sponsorship has given Volvo a level of brand awareness at a much lower cost than traditional advertising could have achieved, Ortendahl claims. But he admits that the company still has more to do in exploiting the platform it has gained and thereby to sell more cars.

Nestlé, in contrast to Volvo, turned to sponsorship for its Nescafé coffee brand at a much later date and for a much more specific purpose.

Continual heavy advertising and product improvements had made it the UK's biggest grocery brand. But in the early 1980s, research showed a shift in the "age profile" of its consumers.

Fewer young people were drinking coffee, thus posing an incipient threat to its share of the hot beverage market; and the market itself was under increasing attack from soft drink companies and brewers.

"We had to introduce some young people to coffee, and increase their coffee consumption generally," says Piers Devereux, senior brand manager.

Nestlé's research suggested that to do so, it would have to convince youngsters that coffee was a modern, adaptable drink relevant to their lifestyles.

The problem then was how to get this message across. "The traditional approach of using mainstream advertising was not the answer," says Devereux. "There were simply too few television programmes available through which we could cost-effectively and efficiently communicate with the youth market.

"We found that the Nescafé message could be carried by music – which performs a central role in the lifestyle of 99.9 per cent of all young people. This vehicle could be used to rejuvenate the brand."

But associating Nescafé with particular bands or artists would put the brand at risk to the vagaries of music fashion or to occasional bad publicity about, for example, a particular artist.

So Nescafé, after a year's negotiation through the minefield of broadcasting rules about sponsorship, put its money – now £700,000 a year – into the Network Chart Show of popular hits broadcast every Sunday afternoon through 46 independent radio stations to an audience of almost 2m in the 15-24 age group.

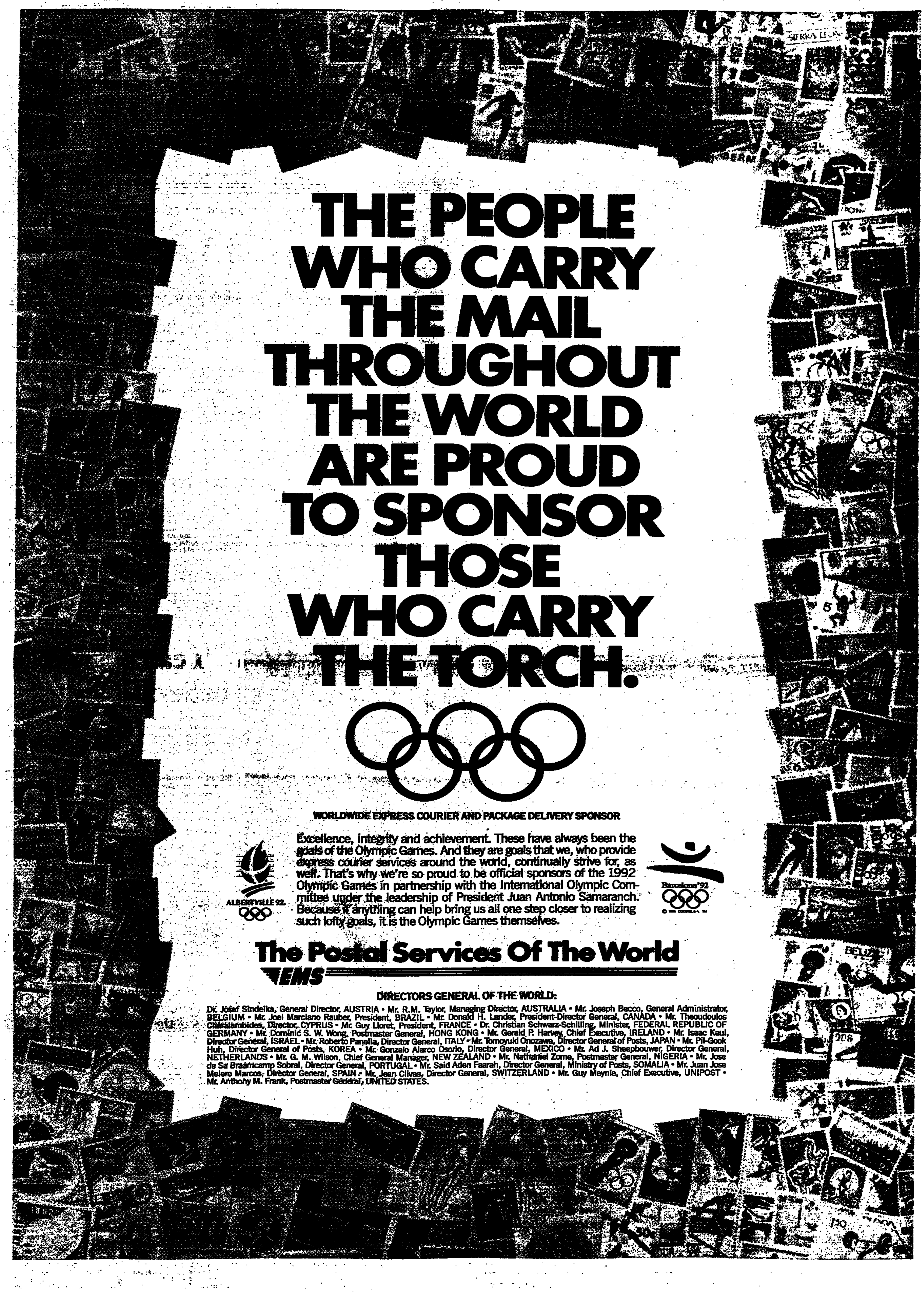
Awareness of the brand rose rapidly to 70 per cent – and Nescafé put more money into exploiting that marketing base.

Colour advertisements were developed for teenage magazines and roadshows featuring new bands toured the country. Other innovations such as pop quizzes followed, and a variety of merchandise was introduced, with 100,000 T-shirts distributed in two years.

As the age profile of coffee drinkers widened, greater efforts were made to increase the market. Earlier this year, a television and cinema advertising campaign designed to stimulate hot coffee consumption among 16-24 year-olds was started.

That was quickly followed by the launch of a new product designed for the youth market – Nescafé Frappé, an iced, ready-to-drink coffee.

"We've made a good start," Devereux says, "towards building tomorrow's coffee market from the youth of today."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TECHNOLOGY

Lynton McLain examines the development of personalised inserts in UK newspapers

Advertising by special delivery

Your morning newspaper sits on the doormat. Inside, along with the latest news and analysis, lies a large batch of tempting advertisements, perhaps for financial controllers, accountants, project managers and chief executives.

But something has changed. Some of the advertisements are inserted as loose material, or stuck to a page. This has become commonplace with magazines, but is undeveloped in newspapers in the UK, unlike in the US and Europe where the insertion of material in newspapers is a growing industry.

Some of the advertisements are even addressed personally to you. This is happening as technology becomes available for inserting advertising material sent directly to a named subscriber of a newspaper. The advertisement may even reflect the reader's personal or professional interests, making it more relevant to his or her particular needs.

The US is the home of inserting, with tens of billions of advertising items inserted into newspapers as well as magazines each year. From 1970 to 1984, the number of inserted advertising items in US newspapers grew from 8bn to more than 38bn, according to the US Newspaper Advertising Bureau. By 1987 the number of inserts in US newspapers had grown to more than 70bn items.

In contrast, the UK newspaper industry, which produces more national newspapers than most other countries, is trailing a long way behind the US in its development of inserted advertisements. This is about to change.

At least three large newspaper groups in the UK are beginning to install equipment for inserting advertisements in their newspapers. These include Mirror Group Newspapers, which owns the Daily Mirror, the Sunday Mirror and The People. The latter two newspapers were the first UK nationals to insert advertisements for an entire print run, last Saturday.

The Financial Times has recently completed the installation of Swiss Ferag equipment at its printing plant in East London. Ferag says this is the most advanced inserting equipment in Europe and is able to insert two items into the newspaper on the press run, hopper-fed leaflets or pre-printed supplements. Commissioning of the equipment is under way with a first run expected before Christmas.

News International Newspapers, which publishes five national newspapers including The Times and The Sun, is also planning to introduce an advertising insertion service.

Five years ago, Ferag had sold no inserting machinery into the UK newspaper industry. By this year it had won orders for 60 on-line inserting machines. These developments are happening many years after the technique was well established in the US, for several reasons.

The end of Fleet Street as the home of national newspaper production in the UK and the opportunity this offered for building new printing works opened the way for new equipment and new ideas for generating income from advertising. Regional newspapers have mastered the technique because it is much easier to achieve on a smaller scale.

Insertion equipment permits pre-printed items, including whole separate sections of newspapers, such as supplements and regional sections, as well as advertisements, brochures, catalogues and company reports, to be inserted directly after the paper has been printed.

Equipment to insert these pre-printed items in the main newspaper avoids the need for separate distribution of the pre-printed items. Pre-printing itself enables the newspaper company to print with fewer printing presses, reducing capital expenditure and reducing the time the printing presses are idle.

But even in the US, inserted advertisements are not always welcome by readers. It is not uncommon for readers to start the morning with a quick shake of the newspaper over the waste bin. One way around this objection is the use of selective inserting. Technology is available in the latest inserting equipment to enable newspapers and magazine publishers to match the advertising to the reader.

Mr Guido Steffen, the former managing director of Ferag UK and a current director of the Ferag marketing organisation in Switzerland, says: "We can already determine that a particular copy of a newspaper will be for Mr Smith of Acacia Gardens, Blackpool. It is only a question of economics that will determine when publishers feed particular sections of a newspaper to a named individual reader." He said this could save paper, by sending readers only the sections which they want.

This technique is highly developed in the US. Advertising material is included on the basis of the requirements of particular geographical markets, or at its most sophisticated, according to geographical and demographic requirements, says Mel Barlow, sales manager for newspaper and magazine inserting equipment at Harris Graphics, part of the US AM International Corporation.

Harris Graphics installed insertion equipment at the Slough Observer weekly newspaper, based near London. Inserted advertisements or newspaper sections "can be tailored to individual customer profiles, with the advertiser selecting material according to the target audience for the advertisement," he says.

This zonal inserting is used as a matter of course by many US publishers, but the UK newspaper publishing industry is currently "where the US industry stood 15 years ago," according to Harris Graphics. Existing insertion techniques can be developed to enable individual subscribers of newspapers to be reached by name.

Harris Graphics says ink jet printing technology can print messages for individual subscribers. This is used in the US to print the addresses of magazine subscribers. Personal messages can be printed readily alongside the magazine subscriber's address or in a blank space in the magazine.

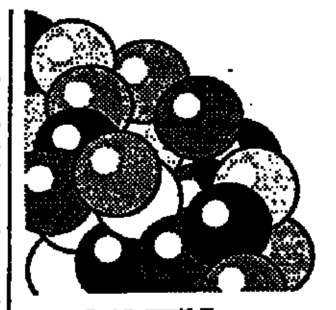
Its application to newspapers, which have circulations that run into hundreds of thousands and even millions, would require substantial investment and the use of high capacity computer disc storage.

For maximum effectiveness, such as system of personalised messages would depend on a large database of information on each subscriber. A typical message, according to Harris Graphics, could be along the lines of: "Good morning, Mr Smith, we know you are a keen fisherman and we know you would be interested in the new range of fishing rods advertised on page 43 of the journal." This type of message is used in the US, but issues of data protection and the confidentiality of computer information on individuals may dampen its development in the UK. Also, many people may consider it an invasion of privacy.

Technology for inserting material into newspapers was based originally on mechanical engineering, controlled by simple electrical circuits, but this is changing as more sophisticated electronic control systems are applied.

Harris Graphics says its equipment can be fitted with computer controls that use photo-electric cells to detect if the insert machine has failed to insert an advertisement in an individual copy of a newspaper. That newspaper will not be delivered to the despatch section of the publishing house, but will be recirculated until the insert is correctly placed inside the paper.

Europe has several companies in the field of making insertion machinery for newspapers and magazines. Switzerland has Ferag and Muller Martini, Denmark has Thorsted and Sweden has Wamac. Ferag says the West German market is the most buoyant in Europe, with widespread use of newspaper inserting technology. British readers are already getting used to inserts. Personalised advertisements are probably not far away.



WORTH WATCHING

Edited by Della Bradshaw

Never lie to a computer

WOULD you try and deceive a computer in order to get a job? Probably not, according to researchers at the Georgia Institute of Technology and Louisiana State University. They have concluded that those interviewed for jobs are more likely to give honest answers to a computer than to a personnel manager.

The reason, they claim, is that when people come face to face with a prospective employer, many stretch the truth in order to give the answers they think the interviewer wants to hear.

Another contributing factor, say the researchers, is the Big Brother effect — those interviewed are concerned that the computer is tied into a larger network which can automatically verify their responses.

But the researchers pointed out that one group of guinea pigs, interviewed as potential management trainees, felt resentment at being interviewed by a computer. They warn this could be a limiting factor in using computer technology to interview applicants for higher management posts.

Self-diagnosing a breakdown

A CAR air conditioning unit which uses chip technology to self-diagnose when it is about to break down is in the final stages of development.

The manufacturer, Motor Panels, of Coventry, believes the management system could prevent ozone damaging chlorofluorocarbons from being emitted into the environment when faults develop.

The electronic refrigerator manager uses an electronic heat sensor which feeds information into a microprocessor, similar to the system used in sophisticated engine management systems. (Conventional air conditioning systems use pressure switches for operational control.) If the measurements indicate that the air conditioner is working close to its limit an indicator on the dashboard lights up.

The electronics gap widens

DEFLATIONARY measures introduced by the UK Government have resulted in almost no growth in the UK's consumer electronics market in 1989, and growth of only 4 per cent in the electronics market overall — below the European average.

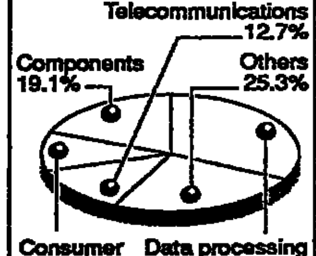
According to the latest report from Elsevier Advanced Technology, of Oxford, the outlook for the electronics equipment makers generally looks variable. The report, entitled Yearbook of World Electronics Data 1990, says growth in the European market will be stunted in 1990, but will blossom over the subsequent three years.

The market, according to the report, will grow by 4.4 per cent in real terms this year and expand only by 2 per cent in 1990. But over the three-year period 1991-1993, the average growth in Europe will be 5.1 per cent per annum. In 1993 the total market will be worth $225bn (£142bn).

Scandinavian countries will experience sales repeatedly below the European average, while Spain will continue to be the fastest growing European country for electronic products, says the report.

The bad news for European manufacturers is that the gap between sales of home-produced goods and imported ones is continuing to grow.

West Europe electronics market 1990



Source: Elsevier

Financial data under one roof

A NOVEL way of incorporating financial data into computer-produced documents has been developed by US software house Lotus, in conjunction with Extel Financial.

Rather than thumbing through wedges of paper documents or searching external databases over the telephone line, Lotus has introduced a way of inserting data directly from a compact disk.

Called CD/Corporate:UK, the disk contains complete financial and textual information on all UK quoted companies, along with Extel's adjusted profit and loss statement and annual growth rates. A companion disk provides a similar fund of knowledge on privately-owned UK companies. (Disks containing information on US companies are also available.)

Data from either disk can be inserted into documents prepared using the Lotus 1-2-3 spreadsheet simply by pressing one key. The disks can also be used with other software packages. Each of the disks is updated monthly and the cost is £9,000 a year for each service.

French roses prefer cognac

A GLASS of cognac and a bunch of roses have more in common than romance.

In the Charente region of France the waste hot water discharged by the brandy distilleries in winter is now being harnessed to fuel another demand — for cut roses.

The scheme, introduced by the Agence Française pour la Maîtrise de l'Energie (AFME), extracts heat from the distillery waste water using a battery of heat exchangers. The heat is fed into a greenhouse, on land belonging to the Izamart distillery. The size of the greenhouse was calculated to optimise the investment in the heat recovery process. The saving is estimated to be the equivalent of 70 tonnes of liquefied gas a year.

Contacts: Georgia Tech: US, 404 894 3444. Motor Panels: UK, 0203 685831. Elsevier: UK, 0865 512242. Lotus: UK, 0753 840281. AFME: France, 1 47 65 20 00.

CINEMA

Murder turns to overkill

A SHORT FILM ABOUT KILLING
Krzysztof Kieslowski

PET SEMATARY
Mary Lambert

HEATHERS
Michael Lehmann

BERT RIGBY, YOU'RE A FOOL
Carl Reiner

ERNEST SAVES CHRISTMAS
John Cherry

The world reports sick in Krzysztof Kieslowski's *A Short Film About Killing*. The sky is a suppurating yellow-grey. The Warsaw streets are grim with decay. Human faces are pasty, drawn, unsmiling. It almost seems an act of compassion when a young man (Miroslaw Baka) takes a taxi ride into the country and then half-strangles, half-beats the driver to death. Why? We have no idea. Nor, it seems, does the boy.

This amazing Polish feature film, hung out at festivals last year, caught prizes like fly-paper. Two top awards at Cannes and a European Film Prize stuck fast to its sticky brilliance. Audiences tend to do likewise. However much they buzz and struggle, dismayed at surrendering to a movie which views life as a collage of gratuitous tragedies; Kieslowski's vision has a nightmarish recognizability.

This is a world where nothing matters and everything is possible: a world we all glimpse in our worst moments but only the despairing or insane act on. For half an hour *A Short Film About Killing* has a brilliant mute immediacy, like a silent movie whose intertitles have gone missing. The three main characters are introduced separately with no explanation, and dialogue is almost non-existent.

Who is this tow-haired, sullen-mouthed youth drifting from one station of *ennui* to the next (cafe, cinema, streets)? Why do we keep cutting from him to glimpse a paunchy taxi-driver washing his cab? And what links these two to the clean-cut young lawyer, who has just passed his bar exams but suddenly wonders aloud to his girlfriend whether everything is so perfect after all.

By movie's end we know how they all relate. And we have seen the world's imperfection horribly exposed, as if the heavens have cracked and shone a merciless light into dark corners. Kieslowski (late of *Camera Buff* and *No End*) made this film as one of a series on the Ten Commandments. He takes the order "Thou shalt not kill," has it signed and sealed by the boy's atrocious act and then flings it full in the face of the State.

The movie's climactic sequence, one of the grisliest in all cinema, depicts an execution. The apparatus of state murder – rope, trapdoor, lever, plastic tray (to catch the effluence of panic) – are more cruelly methodical than the boy's own killing tools (rope, iron bar, bare hands) and, argues Kieslowski, less forgivable. When one man's despair kills, we can understand if not excuse. When the legal machinery of a nation kills, it is an act of will and consensus and merits no forgiveness.

Kieslowski betrays this bleakly challenging moral vision only in the death cell. A speech about a dead sister (run over by a tractor, forsooth) is crudely inserted in the boy's mouth, as if the movie's crusading liberalism needed the fillip of a sympathy bid for the killer. It does not. Our groping insights into the boy's despair (each viewer will fashion his own prognosis) is cheapened by pity and oversimplified by particularity. The film needs only what Kieslowski provides in the best scenes: a howling poetry of urban unease, a picture of the world as a purgatory whose clearest views give onto hell rather than heaven.

★

Never suppose that an interest in murder is a male prerogative. Two new American movies, *Heathers* and *Pet Sematary*, show that in the Great Bloodletting Steeplechase women are fast catching the leaders. In the first the ghoulish ladies are on screen, in the second the grand guignol instructress is off-screen. She is director Mary Lambert, rising on stepping stones of a dud feature debut *(Siesta)* to higher things.

Torn from a Stephen King novel by the author's own screenwriting hand, *Pet Sematary* is the best King adaptation to date. Our central characters are Mr and Mrs Middle America plus children (two) and pets (one). The pet is Church the cat, a portly old dear who is run over one day by a 20-ton lorry. (The family's new house is too close to the highway.) Distraught husband Dale Midkiff buries him in the eerie hilltop Indian cemetery nearby, where, he has been told by neighbour Fred Gwynne, the pet will return to life.

It does: with frightful results. And soon humans as well as cats are nipping back from the after-life. After a cunningly innocuous, fun-with-the-family beginning – shot by Lambert and cameraman Peter Stein in the grainy-gaudy hues of a home movie – the film cracks open like a serpent's egg struck by lightning. The new home's first uninvited human guest is bad enough: a dead student horribly mangled in a car crash. (Midkiff is a doctor at the local university.) This student then becomes our guide to the after-life, as the movie goes down the midnight path first to the spooky pet "sematary" (so spelt in the child-scrawled wooden sign), then to the spookier Indian burial ground beyond.

Co-ordinating her skewy camera angles and otherworldly sound effects (growls and snarls from some echo chamber in hell), Lambert also italicises the story's black comedy. Nervous giggles alternate with shrieks of terror, even in the *walpurgisnacht* finale. When a tiny boy who has become one of the murdering undead is stabbed with a hypodermic by Doc Midkiff, he cries "Not fair!" and stomps off to sulk before returning for his next guerrilla atrocity.

In *Heathers*, directed by Michael Lehmann and written by Daniel Waters from his "own high school memories" (some high school), black comedy has the first and last word. Pretty Veronica (Winona Ryder) wants to join the elite, prank-playing group of rich schoolgirls who call themselves "Heathers." (They all share the same name.) Murdering the group's leader is surely not too high a price to pay to join?

Jan Tesare in "A Short Film About Killing"

But once you have committed one murder – Heather 1 with cup of cleaning fluid in kitchen – it is so hard to stop. Especially when abetted by a boyfriend (Christian Slater) who wears leather, rides a motorbike, drawls like Jack Nicholson and has rebellious feelings fuelled by his love-hate relationship with his parents. (They love him, he hates them.)

Bowling along from one homicide to the next, the film is in the worst possible taste. But then so, virtually by definition, are most black comedies; from *Kind Hearts And Coronets* to *Dr Strangelove*. With pixillated ingenuity the murders go on, climaxing in a killing of two school athletes that is camouflaged as a gay suicide pact.

A sheen of ludicrous innocence is spread over the film, with its pop art colours and deadpan dialogue. Later scenes lose zip and cynicism. But even when the pace flags, there are regenerative cameos like the hip, oleaginous preacher (for whom Jesus is "a righteous dude who can solve our problems") or the English Literature teacher who interrupts her grief over Heather I's (faked) suicide note to marvel at her use of the word "myriad."

★

You need to be addicted to the Christmas spirit – indeed you need to swig it straight from the bottle – to enjoy either *Bert Rigby, You're A Fool* or *Ernest Saves Christmas*. The first is a jokeless musical comedy from Carl *(The Jerk)* Reiner starring Robert Lindsay as a local boy made good. Local from the North of England; making good (sort of) in Hollywood. Your feet tap throughout, in eager anticipation of ankling it to the exit door.

In *Ernest Saves Christmas* an ageing Santa Claus comes to Earth to pick an heir. Before you can say "Ho, ho, ho" – not that you feel the urge – he is hindered by the slapstick antics of the titular one Ernest (Jim Varney), a singularly unfunny comic hero from American TV commercials. Strictly for the children, and even they may have better things to do.

The London Film Festival continues apace. Well worth catching in the coming week are Jodorowsky's *Santa Sangre* (surrealism from Italy); Idrissa Ouedraogo's *Yaaba* (folklore from Africa); Ann Turner's *Celia* (macabre comedy from Australia); and David Robinson's *Sophisticated Lady*, a charming docu-portrait of blues singer Adelaide Hall, still belting it out at 88.

Nigel Andrews

HEAVEN ABLAZE in his breast

QUEEN ELIZABETH HALL

E.T.A.Hoffmann's stories have offered rich pickings to artists and analysts of all persuasions for more than one and a half centuries, and the latest trawl through one of the psychologically richest of them, *The Sandman*, is a collaboration between composer Judith Weir and choreographer Ian Spink. *HEAVEN ABLAZE in his breast* has been brought to the Elizabeth Hall by Vocem and Second Stride this week for two performances under the auspices of Dance Umbrella.

Singers and dancers intermingle in this unsettling and sometimes unsettled piece; even the two pianists who provide the backbone of the score take walk-on parts. Alastair Macaulay will discuss the danced aspects of *HEAVEN ABLAZE* at a later date, but to my eye at least this mixture of spoken narrative, mime, song and dance veers closer to music theatre if not straight opera. "From time to time," Weir concedes in an introductory note, "an outbreak of Opera is unavoidable."

Whether the mixture gels is another matter. The thickets of cultural reference and allusion are dense at times – spanning the centuries from German romanticism to Kokoschka, Balthus and photography – and the dramatic structure twins four of the characters, Nathanael, Olimpia, Lothar and Klara, with a dancer and a singer to each part so that any dialogue becomes a four-way confrontation, and only in the closing scenes are those inbuilt contradictions used to any clear effect.

A second viewing might well tease more of the dramatic sense, but meanwhile one is left with an impression of a cluttered vision, in which hints of real insight are never followed through on the stage. Weir's music makes more of an impact: the stylistic range is wide, from the blamelessly tonal opening through Messiaenic exchanges between the two pianos to distorted references to Schubert and the 19th-century salon tradition, while the voices pitch into extended vocal techniques, amplified and natural, and occasional full-winged song. Olimpia's manic mechanical aria, complete with ludicrous ornaments, at the Ball is the musical highpoint, but only the most obvious in a score that seems well loaded with sly nods and nudges.

Where this score goes in future is hard to imagine; at present it seems unseparable from this specific staging. There are some arresting images on parade from dancers and singers, and a not thoroughly convincing design; excellent playing from the two pianists (hard to identify from the highly democratic programme listings) and a polished musical presentation according to Vocem's familiar lights, but not finally, the kind of crisp imagery one has come to expect from Weir's best work.

Andrew Clements

Györ Ballet

SADLER'S WELLS

As part of the current Magyarok Festival of Hungarian arts, the ballet company from Györ is making a brief visit to Sadler's Wells this week. The troupe has, as director and choreographer, Iván Markó, for eight years a leading dancer with Béjart's company, and the creative procedures of the Maestro lie heavy on the evening. *The Promised Land*, which opened the programme on Tuesday, could indeed pass for an exercise in Béjartian style: birds of love, liberty and happiness teaching a girl to fly; a score by Ravi Shankar and Sir Yehudi Menuhin combining Indian and Western procedures; men in long white divided skirts (*Golestan*-style) and bare torsos; a good deal of spurious ecstasy. It was par for the course, and served at least to introduce dancers whose manner was eager, with a strong pulse of energy.

About the succeeding *Prospero* comment is difficult. It would be ungenerous not to welcome a chance to see this Hungarian ensemble on its British debut, but I cannot but feel that *Prospero* was ill-advised in every way. Prospero here becomes a choreographer; Ariel a young female ballet student; their after-life, *The Tempest* having ended, a macabre adagio act featuring the mature and stalwart presence of Mr. Markó and the scamperings of a girl whose technical and theatrical innocence do not merit public exposure. The score is a demented assemblage of gems from Schubert. That the curtain calls developed into a chilling reprise of the closing moments of the piece, suggests that everyone concerned had become maddened by their own genius. Sadler's Wells has not shown us anything more dubious for years.

The programme, inevitably, ended with *The Miraculous Mandarin*. Mr Markó has altered the usual dramatic scheme without losing the fierce erotic pulse of the action. In his version an innocent girl who has been gang-raped creates a strange being which exacts terrible revenge upon her attackers, and then disappears, at which moment the girl dies. Excellently set by Judit Gombar in a metallic warehouse piled with sacks; danced with unrelenting vehemence by its cast, this *Mandarin* is a valid re-working of the tale. Its focus is the powerful incarnation of the girl by Barbara Bombicz, a dancer having both the strength and the sensitivity to command and shape the new narrative. She is a fine and true artist.

Clement Crisp

Alastair Muir

Scene from "The Promised Land"

The Maid of Orleans

BAVARIAN STATE OPERA, MUNICH

At last one of the major European opera houses has had the courage to break into lesser known Chaikovsky. *The Maid of Orleans* (1881) – written after *Eugene Onegin* and before *Mazeppa* – has long been awaiting proper modern re-assessment.

It has done quite well in Germany since the war, with stagings at Saarbrucken, Leipzig and Kassel. Further afield, Joan's first act aria of Resolution has had a life of its own on record and in the concert hall. For the most part, however, *The Maid of Orleans* has had to live, like *Mazeppa* and *Iolanthe*, with a question mark over its viability.

The work therefore makes an intriguing addition to the repertory of the Bavarian State Opera. This was a big budget production, headed by artistes of the calibre of Harry Kupfer, Berd Albrecht and Waltraud Meier and received with rousing enthusiasm by the first night audience. My own reaction, however, was one of disappointment. Albrecht has produced a German-language edition which makes extensive cuts. The aim, apparently, was to dim the opera's Meyerbeerian overturns, to inject a quality of *durchkomponiert* progression into the score, and – if an astonishing interview with Kupfer in the house magazine is to be believed – to restore it to the form Chaikovsky would have chosen if he had followed his true instincts. The end result, however, is an opera chopped into a succession of highlights, with the final act reduced to a stunted coda. Its hard to square this treatment with statements by Kupfer and Lbrecht avowing their passionate belief in the opera.

The two hours of music that are left provide only fitful insight into Chaikovsky's theatrical genius. The intimate scenes expressing self-doubt, emotional conflict and passionate yearning predictably come across as the most convincing. The Act 4 duet between Joan and Lionel is most successful of all, with its simple, wistful motif and exquisite shading. Chaikovsky also seems at home in two choral ensembles of Mussorskian solemnity. But the rest supports the view that the composer's heart was not really engaged by the subject. Albrecht's version succeeds only in crystallising these weaknesses. He conducts a Germanic view of the score – clear, correct, analytical – which neuters the delicate colouring of the orchestration and the romantic sweep of the musical lines.

The same Germanic emphasis is to be found on stage. Since she burst on to the international scene at Bayreuth in 1983, Waltraud Meier has won the highest esteem for her dedication, intelligence and artistry. She has no difficulty conveying Joan's idealism and gauche girlishness, but her voice – with its pure, tender heroic quality and fast vibrato – lacks the hint of steel that this music demands. She also looked too much the Teutonic maiden.

The blame for that lies with the production team, including the same set and costume designers (Hans Schavernoch and Reinhard Heinrich) as for Kupfer's Bayreuth *Ring*. The stage was littered with models of bombed-out buildings and divided by a diagonal panel, which reflected ceremonial processions, dances and battles acted out symbolically in the wings. Although this allowed the production to cut from one scene to the next in an almost filmic sequence, it had the unfortunate effect of making the main stage area curiously inert, with the audience forced to observe the real action simulated at one remove. The perormance was also accompanied by giant projections of photographs depicting death and destruction from the Second World War – as if Kupfer saw some sort of link between German wartime suffering and France's treatment by the British in the 15th-century.

Despite these often mysterious effects, this was one of Kupfer's least original productions, making heavy weather of the religious pomp and angelic circumstance and completely ducking the issue of martyrdom at the end. Although there were some useful supporting contributions, notably from the tenor Alejandro Ramirez as the Dauphin and a young German baritone, Wolfgang Rauch, as Lionel, Kupfer's treatment underlined the fact that this is a one-character opera. Meier was on stage throughout, perched on a rugged iron platform.

Next time Albrecht and Kupfer tackle a Slav opera, (and there are apparently plans for a series in Munich), they should accept it on its own terms, instead of trying to pretend Chaikovsky was a surrogate German.

Andrew Clark

SALEROOM

Big bidders sit on their hands

The great art market juggernaut, which had been foundering on at an ever-increasing pace for the past year, shuddered and slowed at Christie's New York on Tuesday night. The really big players, the investor/collectors prepared to pay $10m-plus for a picture, were sitting on their hands.

Fortunately for Christie's, there are still scores of bidders willing to pay up to $10m for an attractive work of art and the auction total of $232.3m (£146.1m) for 95 lots was a record for any sale. Among those bidders is the Tokyo-based Aska art gallery, which bought nine works, including some pretty-pretty Renoirs, for $23.16m. Aska is owned by Aicha, which recently bought a six per cent stake in Christie's.

But the bottom line in Tuesday night's sale was the 29 unsold lots, plus the fact that the total was below Christie's low estimate of $235m. Until now, salerooms have enjoyed totals for major auctions near the high estimate, which in this case was $315m.

The art boom is not yet over. Christie's could take satisfaction from the $26.4m (£16.6m) paid by the Getty Museum, of Malibou, for "Rue Mosnier aux Drapeaux" by Manet. It was a record for Manet, more than doubling the price paid three years ago in London for a similar scene. Both had been painted from the artist's studio window – this shows a one-legged war veteran carrying the picture on his broad shoulders as he hops down a street glistering in the sun and decorated, ironically, with flags of peace. Christie's had hoped for $30m from this masterpiece.

It had belonged to Paul Mellon, who bought it in 1958 for $224,000. The 14 pictures he sent for sale contained many of the disasters. A Van Gogh portrait of an old yew tree sold for $20.35m (£12.8m), also below forecast, but an important work by Picasso "The Death Of Harlequin" was unsold at $14.5m. Perhaps its morbid subject matter upset potential buyers; perhaps the demand for Picasso Harlequins has peaked. The biggest disappointment and puzzle was the failure of three waxes of dancers by Degas to find new homes. These had been actually made by him – his popular bronzes were cast by others – and the only explanation for their unpopularity is that they are very fragile and would melt in a hot room.

There were plenty of successes for Christie's to accentuate, for example, the fact that 46 of the lots sold for over $1m and the nine artist records. A Vuillard interior of a woman arranging flowers went for $7.7m (£4.8m), way over forecast, and a Vlaninck also almost doubled his previous best at $7.15m (£4.5m), for a view of the Seine. The best results were perhaps the $8.25m (£5.5m) paid for "Muse Endormie," a marble by Brancusi, and the $3.74m for three little girls with a doll, by Foujita. Delacroix, Signac and Utrillo were also among the records.

Antony Thorncroft

It seems that British art, writes Susan Moore, so eagerly collected by Americans at the turn of the century, is trickling back to these shores. Paul Mellon and the Yale Center for British Art have consigned 20 or so pictures to Christie's in London on Friday. At Sotheby's sale yesterday, 20 works came from the US, and a substantial number appear to be staying.

James Millar of Christie's described the market as "sensible rather than euphoric." Works generally sold on target, and the 8 per cent bought in will probably reduce to 6 per cent. A late Gainsborough, a Dutch-inspired woody landscape with horses at a waterhole, painted in rich, sombre tones in feathery strokes, once in the Tably Collection and now the property of the British Rail Pension Fund, went to a private European bidder for £715,000. The same buyer paid £616,000 for a fresh Constable landscape, painted at Child's Hill, Hampstead Heath in 1825.

An unusually large, recently rediscovered canvas by William Daniell, "A View of the European Factories at Canton," one of the earliest views of Canton by a European artist, glided over estimate to sell at £704,000. Turner's impressive "Seascape with Squall coming up," one of the few early works in private hands, found a new owner at £638,000. William Aikman's full-length portrait of William Kent was bought for £60,500 by Leggatt Brothers for the National Portrait Gallery.

Among the surprises were Herring, Senior's well-known "Feeding the Horse" which found a new owner at £231,000 (estimate £50-80,000), and Hutchisson's jolly account of the reception of the Governor-General of India, Lord Amhurst, by the rich Indian merchant Rup Lal Mallick in 1824. The sale totalled £5,337,200.

ARTS GUIDE

November 10-16

EXHIBITIONS

London

The Royal Academy. The Art of Photography 1839-1989: in celebration of the 150th anniversary of the first practical demonstrations of the medium, this large and impressive exhibition leads the visitor through the practical developments and aesthetic variations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 23.

The Royal Academy. Gauguin and the School of Pont Aven – a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont-Aven in Brittany, of which Gauguin was the leading but not necessarily, at the time, the outstanding figure. A handful of related paintings is shown, and there are outstanding groups of prints by Emile Bernard, Armand Seguin and the Irishman, Roderic O'Conor, among several others. Sponsored by Banque Indosuez and W.I.Carr. Daily until November 19.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. 107, Rue de Rivoli (42603214). Closed Tue. Ends December 31.

Grand Palais. Archaeology in France. The exhibition presents 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and flint tools and ending with finds from the Louvre foundations. Late-closing night Wed. Ends Dec 31 (42895410).

Musée des Arts Decoratifs. Bohemian glass 1400-1989. 107, rue de Rivoli (42603214). Closed Tue, ends Jan 26.

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40512838).

The Louvre and the Chateau de Versailles. David. A retrospective consisting of 84 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Galerie d'Art Saint Honore. Lucretia. Setting off the white androse-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th century in Luther's town a disturbingly beautiful Lucretia. 267, rue Saint Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends Dec 15.

Photography. To mark the 150 years since the birth of photography the Centre Pompidou speaks of the invention of an Art, the Musée d'Orsay stresses its modernity (Quai Anatole France), Archives Nationales recount the genesis of this invention (60, rue des Francs-Bourgeois), Musée Carnavalet shows Paris daguerreotypes (23, rue des Francs-Bourgeois), while the Centre National de la Photographie uses chronology to teach its history (Palais de Tokyo, 16 ave President Wilson).

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 40 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Brussels

Europalia Japan 89: Musées Royaux d'Art et d'Histoire. Nanban Art explores the Portuguese influence on Japanese painting and the Splendour of No Theatre shows props and costumes from the Kokuro Umewaka Collection. Closed Mon. Ends Dec 17.

Centre Belge de la Bande Dessinée, 20 rue des Sables. Transfiguration, multi-media installations by five Japanese architects. The Belgian comic strip museum itself is a work of art – an old cloth merchant's house designed by Horta and meticulously restored. Closed Mon, ends Dec 17.

Musées Royaux des Beaux-Arts. The Human Figure: millennia of Japanese art – an overview of Japanese art from 3000 BC to the 19th century which ends Nov 26.

Antwerp

Museum of Modern Art (Muhka) 32 Leuvenstraat. New tools - New Images: art and technology in Japan today with installations by Tatsuo Miyajima, Tomoo Nakai. Closed Monday, ends Dec 3.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since 1985, including works by Fong, Huber, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz. Closed Mon.

Frankfurt

Kunstverein, am Markt 44. A "Prospect photography" to celebrate the 150th anniversary of the invention of photography with 130 works from around 30 photographers and artists. Ends Nov 26.

Munich

Städtische Galerie im Lehnbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Bonn

Städtisches Kunstmuseum, Rathausgasse 7. Glemlichter, 40 years of government support for art. This exhibition shows for the first time selected works of art from 11 centuries and attempts to present an impression of all aspects of culture during this period, with the help of government, foundations and private sponsorship. To Nov 22.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other city". Until Jan 15.

Rome

Palazzo Venezia. Iriarte: ancient and modern in the IRI collection. The state holding group is showing for the first time some of its fine collection of sculpture, paintings and tapestries dating from the classical Roman period up to the present day, normally split among the headquarters of the various companies. Ends Nov 30.

Milan

Castello Sforzesco. Unknown Treasures from the Moscow State History Museum. Over 500 pieces of applied art including gold and silver embroidery, lace, brocade, icons, jewellery and costume covering three centuries, chosen from from a collection of over 4m pieces. Ends Nov 22.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Washington

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Francis Bacon's 80th birthday with a comprehensive review of his prolific career. The three-city US tour begins here with 60 works. Ends Dec 7.

Chicago

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. Of the millions of possible contributions, the exhibit focuses on 400 pieces by 200 photographers organised chronologically. Ends Nov 16.

Tokyo

Suntory Museum. The Fujinoki Tumulus. This 6th century burial mound has yielded a host of treasures that throw considerable light on early Japan. Finds from other tombs of the same period are also displayed. Unfortunately, there is little documentation in English. Closed Mondays. Ends Nov 19.

FINANCIAL TIMES

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Thursday November 16 1989

Prospect of stagflation

IT WAS A wonderful party, but Mr Major thinks, perhaps even hopes, it is over. Where public expenditure is concerned he was able to tell a tale of continuity, but the story on the economy is quite different. Growth of gross domestic product is *forecast at a mere* 1¼ per cent next year, with headline inflation at 5¾ per cent in the year to the fourth quarter of 1990. Delivering such a forecast can be no pleasant task on one's first important occasion as Chancellor of the Exchequer, but it had to be done.

It would be pleasant to imagine that the forecast is a warning rather than a prophecy. The Treasury may hope that, faced with the prospect of rising unemployment and slow growth, workers will demand and businessmen cede far lower wage increases. Both inflation and the upward pressure on costs would then decline, so allowing the economy a swift return to the steady growth of the 1980s.

This interpretation of the Treasury's latest forecast is supported by a comparison with the forecasting consensus, which has been for GDP growth of around 2 per cent in 1990. Maybe the Treasury is being gloomy for tactical effect. If so, the tactic is unlikely to work, since the Treasury's forecasts no longer enjoy their former credibility. For this very reason, however, its gloom could prove justified.

Wage inflation

Wage inflation would then continue unchecked well into next year. Unit labour costs in the economy as a whole would rise by 8 per cent or more and in manufacturing would continue to rise *faster* than in the UK's major competitors. Meanwhile, the Government hopes to get inflation down to below 6 per cent. The squeeze on profits would then intensify, making the slow growth in investment and output now foreseen by the Treasury highly likely.

In short, the prospect is stagflation. The question for the Government and the country is how long that state will endure. For more than just a year is the most plausible answer. A hint is contained in the forecast of retail price *inflation in the year to the end* of 1990. Since this forecast includes a rise in housing costs of 11 per cent, it appears that interest rates are not expected to fall by much. Nor is much of a decline likely when the current account deficit is expected to be £15bn next year and – even to achieve this – the growth in the volume of non-oil imports has to decline from 10¼ per cent this year to 2½ per cent in 1990. If interest rates do stay high for a long period, the financial vulnerability of both the personal sector and of parts of business makes a swift recovery in demand quite unlikely.

Public expenditure

It can hardly have given the Chancellor pleasure to deliver such a forecast, however realistic it may prove. He must have obtained far greater satisfaction from what he had to say on public expenditure. There, at least, all is much as before.

In the event, the share of general government expenditure in GDP (excluding privatisation proceeds) in 1989-90 is now expected to be 38¾ per cent, an eight percentage point decline from the peak in 1982-83, and half a percentage point below the forecast of a year ago. Next year it is expected rise to 39 per cent, but for both that year and the year after the forecast is exactly the same as in last year's Autumn Statement. Given the low growth of GDP now forecast, this implies a sustained squeeze on most parts of public expenditure, although that squeeze is diminished by the sustained decline in debt interest following Mr Lawson's successful fiscal tightening.

From the point of view of the Government, therefore, Mr Major was entirely justified in congratulating Mr Norman Lamont, the Chief Secretary. It was another job well done. Politically, however, things may soon look different. The Government has long offered slow growth of public expenditure, indeed prided itself upon it. Now, however, private expenditures will be squeezed, too. Consumer expenditure grew at a torrid rate of 6¾ per cent in 1988; it is now expected to grow by 3¾ per cent in 1989; next year, however, the forecast is for growth of only 1¼ per cent. So the party is indeed well and truly over. Given the *political timetable, does this* mean that the Government's rather longer party is over too?

EC showdown over Renault

IT CANNOT have been easy for the European Commission to stand firm in its dispute with the French Government over subsidies to Renault, the state-owned motor group. Its decision to do so yesterday is a personal victory for Sir Leon Brittan, the EC's Competition Commissioner and, more important, enhances Brussels' political authority.

Given the pressure from Paris, there was a danger that a majority of the Commission's members would cave in. France is not the only sinner over subsidies: commissioners from other countries might have chosen to side with it, to forestall similar actions against their own governments in the future. Had they done so, they would not only have undermined the Commission's standing in competition policy – one of the rare areas in which it has autonomous power under the Rome Treaty – but would also have compromised its ability to push through the internal market programme.

The Renault case is not yet closed and yesterday's decision could be interpreted as a way of buying time. The French Government has three months to make proposals to meet Brussels' demands for a restructuring of Renault. The Commission needs to insist *that these really* do produce the capacity cuts it considers necessary and, if they do not, should be ready to take France to the European Court.

New approach

Sir Leon has correctly identified state aids as a form of protection which is as incompatible with a single market as national trade barriers. Since he took office, he has brought to the Commission's competition policy a philosophy which considerably expands its scope.

*Most of his predecessors con*centrated principally on maintaining the status quo by preventing the development of new anti-competitive practices. Even under this definition, Brussels often acted timidly, backing down in the face of government displeasure.

The new approach aims to use competition policy not merely as a policeman, but also as an assault force to prise open closed or cartelised markets. In recent months, the Commission has used its competition powers to attack long-standing restrictive practices in industries including airlines and telecommunications. In state aids, the Commission is beginning to hack away at existing subsidies to industry, as well as curbing new ones as they arise.

In certain cases – such as helping poorer regions and cushioning redundancies due to industrial restructuring – subsidies can be justified, provided they are transparent and effectively policed. Too often, however, they have been used systematically to shore up chronically inefficient industries, distorting competition and perpetuating excess capacity.

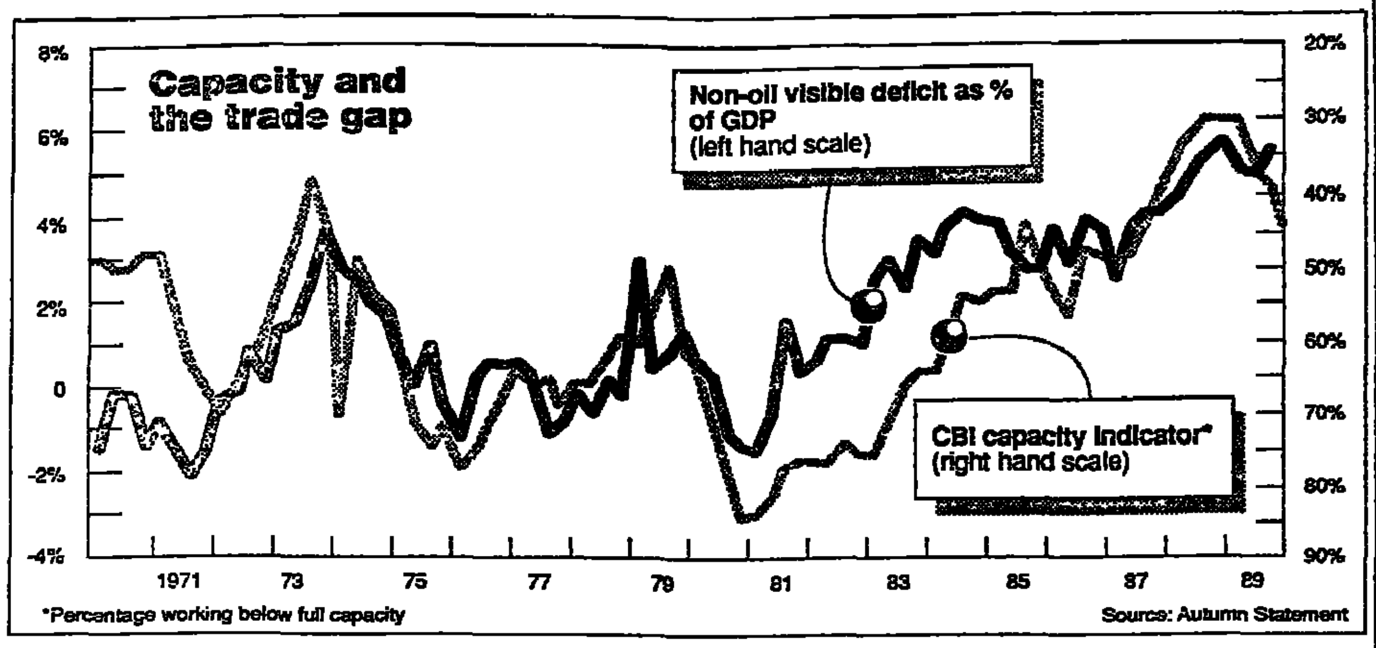
Dubious position

Renault's position is particularly dubious because of its status as a *régie*, which is explicitly protected from bank*ruptcy under French law. This* is wholly incompatible with the principles of a free, competitive market, which can operate efficiently only if the rewards for successful enterprise are matched by penalties for failure. Otherwise, the problems of weaker firms will permanently handicap the strong and, by extension, the overall performance of European economies.

Until now Brussels has, for political reasons, been careful not to challenge the basic principle of public ownership. However, nationalisation was motivated in the first instance by national interest, and it is not entirely clear how this priority fits in with the objective of a single market.

Furthermore, if governments are restrained from granting their state sectors special privi*leges, such as preferential* access to capital, the economic rationale for public ownership becomes more debatable. The logic of the Commission's competition policies may soon require it to define clearer rules, at least for those state-owned industries operating in competitive markets for internationally tradable goods and services.

ECONOMIC VIEWPOINT



*Percentage working below full capacity   Source: Autumn Statement

No need for recession

By Samuel Brittan

The "spend, spend, spend" headlines with which the Autumn Statement has been foreshadowed in the popular press could almost have been designed to set off a run on sterling. Fortunately, however, the foreign exchange market is by now inured to this kind of showmanship.

General government spending after allowing for inflation is expected to rise by 1¾ per cent per annum in the years ahead. Those people who would like to reinvest funny money and hanker for a volume index will say that there is no increase at all or even a reduction.

Public spending excluding privatisation is expected to remain at 39 per cent of gross domestic product next year, the same proportion as in 1988-89, after a slight dip this year due to the exceptionally rapid growth of GDP.

The Public Sector Debt Repayment for the current year is estimated at £12½bn, compared with a £14bn forecast in the March Budget, due to a shortfall in privatisation receipts and a faster than expected take-up of personal pensions. This is a tight fiscal stance by any standards. But it is worth remembering the near unanimity among City analysts at Budget time that the surplus would be very much higher. So sure were they on the point, that they competed mainly in Machiavellian speculation about the Treasury's true motives for understatement.

The gloom-mongers are also likely to pick on the forecasts of a slowdown in output growth to predict a hard landing. Look at what has actually happened. The story over the last few years has been one of demand and output (and indeed inflation and the current *account deficit) being* more buoyant than expected.

It is best to focus on the bracketed figures in the table which exclude oil – which does matter, but follows an extremely erratic course due to North Sea shutdowns and reopenings. Real GDP, excluding oil, rose by 5 per cent in 1988, and is expected to rise by 3 per cent this year. What is more, official estimates are usually revised upwards for several years after the year to which they refer; and even after the revision true growth – especially in services – is still probably understated.

The Treasury maintains that real growth has been too fast to sustain and that a pause for breath is now required. But rather than pontificate on physical growth potential, it would be on much safer ground in saying that domestic demand has been increasing too quickly. This is better measured in nominal terms (that is actual money) rather than in the real terms given in the summary table. After rising at the horrendous high rate of around 15 per cent in 1988, domestic demand in nominal terms has risen by around 10 per cent to 11 per cent in 1989 – still too fast. There are however now enough indications from house prices, retail sales and other indicators to suggest that domestic demand is at long last slowing down further.

How far this slowdown is reflected in lower inflation, how far in an improved balance of payments, and how far in low growth depends on the supply response of the economy. World demand and output are now buoyant, *with* inflation still being more of a danger than recession. Recent events in Germany and central Europe must, on any reckoning, lead to faster growth among Britain's principal trading partners.

If there is a recession it will be due either to the slowness of British business to switch from the sheltered domestic to the international market (including in the latter competition with importers). Or it will be due to the inflexibility of the British labour market.

The chart suggests that as capacity pressures fall off there should be a large fall in the trade deficit. Moreover after the recent fall in sterling, there is no reason to believe sterling to be overvalued. It is indeed well below most estimates of its Purchasing Power Parity.

The Treasury has however played safe by forecasting an improvement in the recorded payments deficit only from £20bn in 1989 to £15bn in 1990. This is understandable in view of past disappointments. More surprising is that anyone should want a payments forecast at all.

As part and parcel of the same caution the forecast growth of non-oil output is put at only ¾ per cent. The inflation slowdown is also modest, from 7 per cent to 5 per cent on the GDP deflator by the end of 1990, and from 5 per cent to 4 per cent in terms of producer prices. Forget the RPI headlines.

The inflation forecast seems to me in the right ball park, so long as the believers in a sinking pound can be held at bay. But *my suspicion is that out*put will prove more resilient, either because the balance of payments will improve more, or because domestic demand will grow faster than predicted.

The analysis of the past – always the best part of the Economic Prospects section – confirms that the payments deficit reflects rising investment rather than falling savings. Business investment is now over 15 per cent of GDP, compared with 12 per cent to 13 per cent in the mid-1980s. It is even slightly higher than in the peak before the 1973-74 oil shocks. Despite the dramatic fall in the personal savings ratio, total savings including the public and corporate sector, have fallen by less than one percentage point of GDP from the 1985 high.

I have, however, good circumstantial evidence that the British balance of payments estimates are prepared by agents of the Honecker regime, which has just fallen in East Germany. How else can one explain the insistence on a current payments deficit of £20bn in 1989 when there is also expected to be a favourable balancing item of £15bn which it does not know how to allocate?

It is, in any case, both normal and reasonable for a country to borrow overseas to finance an investment boom the fruits of which will service borrowing. When I see the horror with which both the Labour Opposition and the Prime Minister view the supposed deficit, I do not know whether to say that they are locked in a time warp, or making a rod for their own backs. The reader must choose his own metaphor.

Much more serious are the *indications that the inflation* rate is still stuck at an underlying 5 per cent, discounting both the recent bulge and any favourable pre-election blip. It is hard to see it coming down much further without the shock of either a severe recession or the exchange rate floor which *would be provided by* a full EMS membership. If we have neither we shall just struggle along, ill-placed to resist the next international or domestic shock.

Treasury view of UK economy
(% changes on year earlier)

	1988	1989 estimate	1990 forecast
Domestic demand	7¾	3¾	0
Exports goods & services[1]	¾ (2)	4¾ (9¾)	6¾ (5½)
Imports goods & services[1]	12¾ (13)	9¾ (9)	1¾ (1½)
Gross domestic product[1,2]	4¼ (5)	2 (3)	1¼ (¾)
Mftg output	7	4½	1½

[1]non-oil shown in brackets [2]average measure

Source: Autumn Statement

BOOK REVIEW

Controversy by design

CORPORATE IDENTITY: Making Business Strategy Visible
By Wally Olins
Thames & Hudson £14.95

One employee described it as "outrageous," another as "unacceptable." A third demanded to know how exactly much all that "rubbish" had cost.

The object of their outrage was the new corporate identity introduced by John Lewis, the British retailing group, this autumn. The apparently innocuous decision to update the group's 25-year-old logo produced pages of furious letters from its employees for the staff magazine.

John Lewis is not the only company to have introduced its new corporate identity to howls of outrage. Kingfisher, another British retailer, was forced to call in the police to *calm the uproar at the share*holders' meeting when it asked for approval to change its name from Woolworth.

The management of United Airlines in the US faced a shareholder revolt when it announced that it was changing its name to Allegis two years ago. There were lots of other things wrong with United – from dodgy diversifications, to a mountain of debt – but the change of name was seized upon by shareholders as the last straw.

Corporate design is a controversial business. In this book, Wally Olins – *chairman of the corporate identity consultancy* Wolff Olins – attempts to defuse some of the myths.

Corporate identity, he says, is not a new concept, but a new name applied to an old idea. He describes how, historically, everything from a new *nation to a new religion* has chosen signs and symbols to express identity.

The Confederacy of southern states in the American Civil War took the "stars and bars" of the battle flag as its emblem and Dixie as its anthem. The first French Republic opted for the Marseillaise and the tricolour. Olins could be accused of stretching the analogy a little too far by saying that Lockwood Kipling, Rudyard's father, was "put in charge of design" when he oversaw the provision of new uniforms and coats of arms in the India of the 1880s.

But the book is really concerned with how today's big industrial groups – the sort that Wolff Olins works for – approach corporate identity. Every organisation has one. The issue is whether it chooses to control the development of its identity.

Companies that are very young, or very small, can, he says, allow their identities to develop naturally. Some larger organisations have easily discernible identities. Jaguar and Sony are identifiable by their products. The corporate image of Holiday Inns is dominated by the environment of its hotels to the extent that someone staying in one would find it difficult to tell whether they were waking up "in Wolverhampton or Warsaw."

But these are the exceptions. Most large organisations do not have an easily recognisable identity. The diversity of their interests – spread *across* several countries and different areas of activity – can make it difficult to see what their identity is, or even what they would like it to be.

Unless they tackle this problem there is a risk that the individual bits of the business will develop their own identities and the group as a whole will lose coherence. The impressions formed of the group by its customers, investors and even its own employees could become confused.

There may be little liaison between people from different divisions. The group could even encounter problems in recruitment or acquisitions.

At the same time, technological and cultural change means that it is often difficult to distinguish one company in an industry from the others in terms of products and service.

Most of the major chemical companies, for example, offer similar products to a similar standard of service. In this instance, creating and developing a clear identity is one way of distinguishing a company from its competitors.

Olins cites Akzo, the chemical company based in the unassuming Dutch city of Arnhem, as an example. Akzo is the product of the merger of several merged companies in the late 1960s. Its brand names are familiar in their own markets but tend not to be associated with the group as a whole. Akzo brought in Wolff Olins to devise a new identity.

Olins argues that the trend towards corporate internationalisation and merger and acquisition activity will make identity issues even more important in the future.

The book is at its best describing how companies can decide whether or not they have an identity problem and, if so, what to do about it. Olins offers advice on everything from which questions to ask a design consultancy, to whether or not to appoint an identity manager.

What he does not do is to discuss whether corporate identity really works and, perhaps more important, how a company can tell whether it is working or not. Examining these things might do a lot to staunch the flow of angry letters from John Lewis's employees and to keep the police away from Kingfisher's shareholders' meetings.

Alice Rawsthorn

OBSERVER

Not just any old train

■ A row has broken out over a luxury train tour of the Scottish Highlands. The story goes back to May 1985 when Richard Edmondson, director of Hunter International, the UK industrial holding group, introduced the "Royal Scotsman" tour.

A keen train enthusiast, Edmondson restored some classic railway carriages he owned, and with the help of Abercrombie & Kent (A&K), the upmarket London-based tour operator, started selling six-day luxury holidays in Scotland.

The Great Scottish and Western Railway Company was set up to run the tour, and it proved an instant success, particularly with Americans. At £2,750 for the trip, carrying 28 passengers a week, the business was estimated to be turning over nearly £3m a season.

The first four years went well. But now Edmondson has decided not to renew his contract with A&K. He is unhappy with the way the tour was turning out and wants to run it his way as a kind of "country house on wheels": black tie for dinner.

A&K, however, does not want to give up the lucrative "Royal Scotsman" tour without a fight. A&K claims that the name "Royal Scotsman" refers to the tour it operates; Edmondson claims it refers to the train he owns. Thus A&K is taking Edmondson to court to contest the rights to the name, and has served an injunction condemning him to silence until the case comes to the High Court next year.

In the meantime, A&K has bought some old BR rolling stock, tarted it up, and is busy marketing the Royal Scotsman tour: the same name, but a different train. Edmondson is also ready to run his tour: the same train, but a different name.

There is only enough room on the track for one train. The two tours should start in April at Edinburgh's Waverley station, where there could be some fun if the matter has not been settled in the courts by then.

Lucky German

■ The West German news agency, DPA, carried a story yesterday about a 40-year-old East German motor mechanic from Magdeburg. He took the short trip to the Federal Republic when the frontier controls were relaxed last week, collected his Dm100 from the West Germans, invested Dm5 in a lottery, and won Dm1.2m before going home.

"I shall build myself a house and go on lots of foreign holidays," the unnamed mechanic is quoted as saying.

Chase on TV

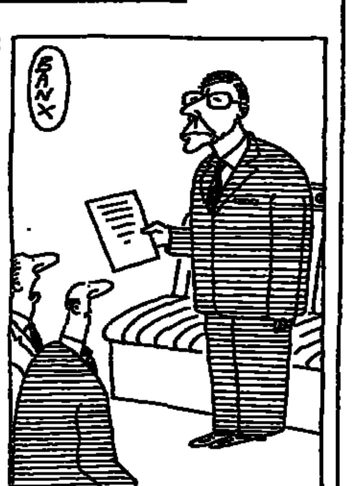
■ Little bit of history: ITN news last night carried the first televised tombstone advertisement. It appeared in a 60-second commercial for Chase Manhattan's international investment banking services, showing how Chase can put together cross-border deals.

Tombstones do not make gripping viewing, it has to be said. Most of them give only the bare details of a financing, plus the names of banks who put up the money. That is why they have that name. But given the large number of financial publications which survive on little else, ITN could be on to a good thing.

Can't count

■ Prize for understatement of the week goes to brokers ANZ McCaughan who yesterday issued a comment on Cray Electronics headed "Poor start to year". This is a company which mis-stated its profits by a factor of three, increased its final dividend by a third before deciding to omit it, and has promised to pay the ex-chairman £225,000 per annum, plus benefits, until 1991.

ANZ McCaughan, which used to be one of the company's brokers, is rather bearish about Crays' prospects these days and says it is still far too early to alter the negative stance it has taken for the past year. But in February, when the shares were nearly three times higher than they are today, ANZ McCaughan, was tipping them to outperform: "With a cohesive structure of quality businesses now largely in place, high long term organic growth is in prospect."



"Advisers advise, ministers decide, Chancellors estimate."

Last ditchers

■ In Italy the Communist Party, which has been pretty reformist for a long while now, is even thinking of dropping its name. In Eastern Europe the barriers to freedom of movement and democratic choice are coming down all over the place.

It just occurs to one to wonder what is going to happen to that most anachronistic organisation of all: the IRA. Is it really going to go on with its pursuit of violence when everyone else has turned to peace? The Irish used to have a sense of humour. It is time to turn their wit on the Provos: ridicule might do more to deflate them than anything else.

Nuclear pay-off

■ Lord Marshall, whose resignation as chairman of the Central Electricity Generating Board has been awaited daily for the past week, yesterday further deferred an announcement.

Last night, still officially "considering his position", he flew to Vienna for a meeting of nuclear experts at the International Atomic Energy Agency.

His resignation, regarded as inevitable at the CEGB, will include his position as chairman-designate of National Power, the CEGB successor company which was last week stripped of its nuclear assets in advance of privatisation.

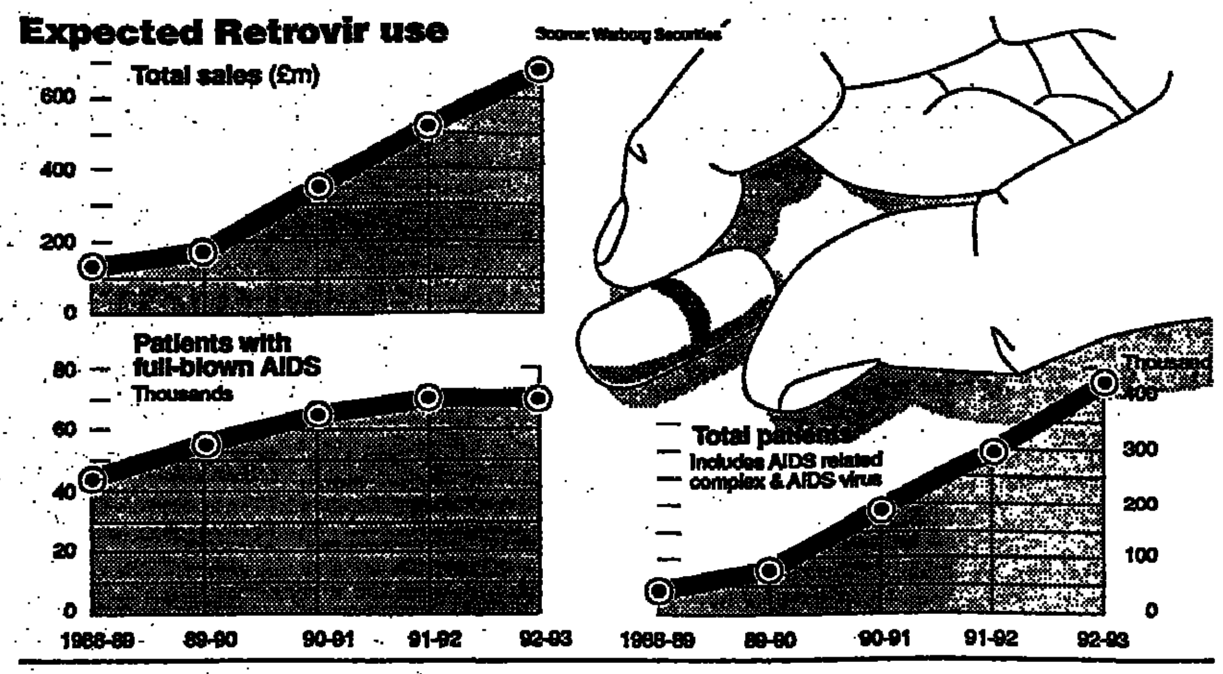
Marshall has made no statement pending a satisfactory agreement with the Government on the detailed terms of his departure. In the private sector electricity industry, he would have expected a considerable increase in his £110,000 a year CEGB salary and a corresponding improvement in his pension rights.

Electricity officials say he was effectively given no alternative but to go. For example, he was not offered the chairmanship of the new State sector nuclear generating company, which has gone to John Collier, chairman of the UK Atomic Energy Authority.

More Trabants

■ A reader informs us that the Trabant has just won the East German Car Industry Award for Export Achievement.

Peter Marsh reports on the debate over Wellcome's anti-AIDS drug



A minefield of passions and profits

Few products made by any single company have stirred so many human and scientific passions – and hold out the promise of making so much money – as Retrovir, the AIDS drug made by Wellcome, the UK pharmaceuticals group.

The questions surrounding Retrovir, the only medicine licensed to combat AIDS, have had relatively little discussion over the past few months although they are likely to surface today when the company announces its annual results.

Much of the recent comment on Retrovir has concentrated on the findings over the summer that the medicine – Wellcome's second biggest product – has the potential to slow down the onset of the illness in people who have the AIDS virus but who show no outward signs of sickness.

That led to a surge in the company's share price and some confident pronouncements by AIDS groups that the medical community is at long last making headway in fighting the spread of the disease.

Sir Alfred Shepperd, Wellcome's chairman and chief executive, will today make a few general comments about the outlook for Retrovir, which is also known as zidovudine or AZT. But he is likely to be circumspect about specific issues such as predictions of future sales.

The drug, which became generally available in early 1987 and had estimated sales in 1988-89 of about £130m, is now making a significant contribution to Wellcome's profits.

Retrovir's annual sales could jump to as much as £500m a year by 1991 or 1992, due to increased use of the medicine among carriers of the AIDS virus. An estimated 10m-20m people worldwide have the virus; most of them, on current trends, will contract full-blown AIDS over the next decade.

But giving more than a broad-brush view of Wellcome's future is extremely difficult due to the number of interlocking issues surrounding Retrovir:

● The drug is inevitably linked to the public debate over with the disease, which has so far been contracted by an estimated 400,000 people globally, of whom perhaps half have died. Many more are likely to do so over the next few years. Particularly in the US, Wellcome has found itself uncomfortably caught in the arguments between AIDS activists and government authorities about the correct strategies for slowing the spread of the disease through new drug development.

● Despite the events of the summer, the world's medical community is still divided about the extent to which Retrovir will benefit people who have the virus yet who have not progressed to any clinical signs of the disease. There is even a hint that taking the drug at this stage could be counter-productive, as a result of making it more likely that patients could suffer from Retrovir-resistant strains of the AIDS virus as the disease develops. The scientific evidence related to these points is unlikely to become even partially clear for at least another year.

● No one involved with AIDS, Wellcome included, believes Retrovir is a perfect drug. It can be toxic to many patients, it does not cure the disease (which invariably leads to death within a few years) and it works in a scientifically unsophisticated fashion. Many think the product will be superseded by new AIDS drugs that could be unveiled by other companies in the mid 1990s, at which point Wellcome's profits growth could fizzle out.

● Wellcome has been involved in a series of unedifying tussles with AIDS activists and some sections of the medical community over charges that it is making excess profits from Retrovir. Adverse sentiments from such disputes are hardly likely to help the company over the next few years in its relations with government authorities and physicians.

Much of the recent surge in interest in Retrovir stems from the US, where the UK company trades under the name Burroughs Wellcome. The US has about 50,000 people with AIDS, more than any other developed country. A further 1m-2m Americans are thought to be carrying the virus.

In August the National Institute of Allergy and Infectious Diseases, a US government body, opened up the possibility of wider use for the drug. In a trial involving 3,200 carriers of the virus, the institute found Retrovir slowed progress of the illness in some of these people.

Doctors interrupted the trial some months in advance, saying that, for those people whose immune systems were already showing signs of decline due to the AIDS virus, Retrovir treatment was beneficial.

The announcement was unusual scientifically, although this could be explained by the immense pressure on the US authorities to demonstrate they could act quickly in fighting the disease. It came well before publication in the medical literature of the full data from the trial; this will probably come either in December or early next year.

As a concrete sign of action by the US government, the findings in the summer removed some of the emotional and political pressure on US agencies such as the Food and Drug Administration (FDA) and on people in Congress. Since the disease first reached epidemic proportions in the mid 1980s, these groups have come under continuing attacks by the gay community and by groups representing AIDS victims for their allegedly slow response to the crisis. In particular there have been criticisms of the unwillingness of the medical community to abandon its conventional caution over drug trials and speed up tests of new possible therapies against the disease.

Signs of a new approach to AIDS by Washington was warmly welcomed by many AIDS groups. "The evidence is that the government is doing something at last – thank God," says Mr Larry Tate, a manager at Project Inform, a support group in San Francisco for AIDS sufferers.

Some scientists are, however, unhappy about the implications of the halting of the US trial. They say that people in the trial had been on Retrovir for an average of only a year – which is too short, they say, for any side-effects from the drug to show up.

Dr Ian Weller, a UK AIDS expert at the Middlesex Hospital in London, says that – until the full data from the US trial become available – it is impossible to be sure about the benefits of giving Retrovir to individuals with the virus.

Such treatment may even be damaging, says Dr Weller, due to the possible toxic long-term effects of the drug. There is another danger that people with the virus who then progress to AIDS may, through having had Retrovir treatment early on, find they cannot take the product later due to the build-up of drug-resistant viral strains. This would more than offset any benefits from the early use of the medicine: "It is a tremendous dilemma," says Dr Weller.

So far Wellcome has reacted cautiously to the events of the summer. At present, Retrovir is still officially licensed for use only by people with AIDS or a condition known as AIDS-related complex – the precursor to full-scale AIDS – and not for people with the virus.

Wellcome says it does not know when it might gain permission from the FDA and other licensing bodies to sell Retrovir for the latter use. This could well happen by mid to late 1990.

But already, it seems that, especially in the US, some carriers of the virus are putting pressure on their doctors to make Retrovir available in the hope that it will stave off the illness. Wellcome is not willing to estimate how many people are now receiving Retrovir. But Mr Hemant Shah, an independent drugs-industry analyst in New Jersey, believes this number in the US alone is between 50,000 and 100,000 and includes a significant number of AIDS carriers.

Just where the twists and turns of the AIDS crisis leaves Wellcome is difficult to assess. Competition from other AIDS drugs is likely to bite in the early 1990s, although some analysts suggest such medications may well not become available for up to another two years.

The most promising of the other medications under development include Imuthiol, from Rhône-Poulenc of France, and Videx (also known as DDI), which is under study by Bristol-Myers of the US and which is now being made available to limited numbers of American AIDS patients.

Some believe these companies plan to sell their products at prices well below that of Retrovir in a bid to gain market share. A year's treatment with Retrovir costs about $3,000. The price has come down – as a result of price cuts and lower recommended doses – from the $8,000 or so of two years ago but it still causes rancour among AIDS activists who accuse Wellcome of profiteering, a claim which the company strongly denies.

Many think Retrovir's days as a big-seller may not last long, given the better drugs which are assumed to be in the development pipelines of pharmaceutical thoroughbreds like Glaxo in the UK and Merck of the US but about which such companies are saying very little. These new types of formulations may well act by attacking the virus itself rather than (as with Retrovir's mode of treatment) interfering with the chemical reactions involved in viral replication, which many believe is a far from perfect method.

Whatever becomes of Retrovir over the next two years, the company will probably have to work harder than it has done so far to convince the outside world that it can handle the public issues that have surfaced in the AIDS drama. It will have to consider the words of one prominent gay-rights activist: "AIDS is a highly political healthcare crisis."

LOMBARD

Pensions bombshell

By Barry Riley

A GHOST from the past has come back to haunt the occupational pensions industry.

Last week the UK Government announced its plans to improve protection for members of schemes. To a large extent the proposals were uncontroversial, being in line with recommendations outlined by the Occupational Pensions Board (OPB). But one particular decision has set the pensions lobby howling with dismay: the requirement that when pension schemes are wound up, all pensions (both current pensions and those deferred until ex-employees reach retirement age) must be upgraded in line with the Retail Price Index up to a maximum of 5 per cent a year.

The OPB had suggested only that any surplus in a terminated scheme should first be applied to upgrading pensions. But according to the Department of Social Security's proposal, any deficiency will count as a debt on the employer.

In making this proposal the DSS is seeking to reduce any temptation for asset-strippers to close schemes and grab surplus assets. They will have to offer this minimum protection (by no means generous, given that UK inflation has averaged 8.7 per cent over 25 years, and is currently 7.6 per cent).

So why the protests from pension consultants? Because many companies guarantee only frozen benefits (although they may upgrade them on an *ex gratia* basis), schemes usually show substantial surpluses on a discontinuance basis. But they will now be forced to provide for the statutory degree of inflation-proofing. The discontinuance surplus could be much lower than the ongoing surplus. Pensioners in ungenerous schemes (in this respect, most schemes) will be able to deduce that they could be better off on a winding-up.

But certain companies will be especially embarrassed. These include many of the manufacturing companies which substantially reduced their payrolls in the early 1980s. Through the little-understood effect on company pension schemes, this phase of mass redundancies turned out to represent one of the biggest corporate stings in history.

Pension scheme members by the hundred thousand were declared redundant and left with frozen deferred pensions. As inflation has continued, albeit at a reduced rate, these future pensions have shrunk in real purchasing power. But the assets in the pension schemes have risen in value throughout the 1980s. Surpluses have run *into billions*. Many companies have declared extended contribution "holidays."

It has been a tremendous windfall for British industry. But now comes the bombshell of the DSS proposals. There is an implication that – in certain circumstances – those long-frozen benefits might have to be upgraded. For most companies with stable payroll numbers the financial implications are manageable. But it is different for the shrunken remains of traditional manufacturing industry.

Advisers warn that many companies will have to make provisions. Credit ratings could be affected: companies near insolvency will be in a far less bankable position than before.

Of course the revaluation will not apply to continuing pension schemes. But the industry fears that scheme members will apply pressure on companies to implement the up-to-5-per-cent formula; something the DSS must have intended. In practical terms it will become very difficult to restructure schemes within a larger group, winding up some and merging others. So companies will be forced to upgrade benefits all round.

It remains possible that the DSS has misjudged its recommendations, and will back down in the face of the barrage of criticism which will be directed at it from the pensions industry. But this Government has shown, in its stance over the £60,000 cap on incomes qualifying for pensions, that it is not afraid to upset the pensions industry lobby.

It seems to be prepared to unleash a vengeful demon which companies hoped had been bottled up forever.

LETTERS

Cost control in power

From Mr Michael Harper.

Sir, Your leading article on nuclear power, "Think again, Mr Wakeham" (November 11), presented a mostly accurate analysis of the need to restructure further the electricity supply industry. But you falsely conclude that "by showing that the old policies on nuclear power were huge mistakes, privatisation has, once again, proved its worth."

The question of who owns the industry is less important for the environment than the question of how the industry is structured and how it is regulated. But a fundamental part of that regulation involves a close study being kept on the costs on any particular energy option. Money squandered on one energy source starves investment into research and development of other more environmentally acceptable forms of energy production and energy conservation.

It is now claimed that the high costs of nuclear power are only emerging as a direct result of preparations for privatisation. It is further claimed that, previously, the costs were so tied up in the Bulk Supply Tariff (BST) that nobody could determine their true proportions. But the costs are emerging now because of an examination of the expense of each component of the fuel cycle, and closer scrutiny of the decommissioning costs.

This examination could and should have been carried out on a regular basis throughout the sorry history of nuclear power, regardless of whether the industry was to be privatised or not.

In 1974, in evidence given by Friends of the Earth to the House of Commons science and technology committee (energy and resources sub-committee), explicit recommendations were made to the UK Government to undertake just such examinations. Why did the Department of Energy not heed those and other similar calls for closer scrutiny?

The public company headed by John Collier, which will operate and, we hope, wind down as soon as possible all the nuclear stations, must not enjoy the same freedom from public scrutiny and public accountability that the Central Electricity Generating Board has enjoyed.

Michael Harper,
Friends of the Earth,
26-28 Underwood Street, N1

O, my America

From Mr Irving Kahn.

Sir, Some Americans cannot accept any critical analysis, even when accurate (Letters, November 7). But I thank the Financial Times for sending Anthony Harris to Washington DC. He studies and analyses the many ring circuses not unknown to operate within our national capital.

His article published on November 6, in just 17 paragraphs, sums up many of my country's problems – including immigration from Mexico, our "panel-game" US school curriculum, our bloated health care costs, tort law reform, our national neglect of public infrastructure and our need to make better use of our excessive waste products.

Exhibiting a sharp mind and objective eyes, his condensed writings should be bound and supplied (repeatedly) to all managers in US Government, plus thousands of legitimate professional societies, plus the self-serving Pacs (Public Action Committees) which continually deflect corrective legislation in the US. We need to harass our politicians with more Harris.

Irving Kahn,
Kahn Brothers & Co Inc,
1 Exchange Plaza,
55 Broadway,
New York City,
New York 10006, USA

BT service quality

From Mr Mike Bett.

Sir, I was astonished to read the headline "BT figures show service quality has stopped improving" (November 10).

The figures actually show that 10 out of the 16 measurements we use have improved since the end of March. More importantly, in the key areas of concern to our customers – ensuring that calls get through, installing a new line, and making repairs – we are achieving all-time highs.

We have reached these high levels of service and greater customer satisfaction through long-term investment in the network. Further dramatic improvement will be more difficult, but we shall continue our huge investment programme to ensure this. In the meantime it is simply inaccurate to say that the figures have stopped improving.

Mike Bett,
British Telecom,
81 Newgate Street, EC1

Effort to bridge the skills gap in education and training

From Mrs Alison Wolf.

Sir, Your leader, "Bridging the skills gap" (October 31), is quite correct to argue that training vouchers for 16-year-olds are not in themselves adequate to improve post-compulsory education and training.

Unfortunately you also seem to accept a simplistic dichotomy between "vocational" and "academic" education. Such a dichotomy does indeed characterise English education, where the alternatives for 16-year-olds are A levels (advanced level school-leaving certificates) or full and part-time vocational courses provided by the further education sector.

But it is not the pattern found in most other European countries. During the 1970s and 1980s the type of post-compulsory education which has grown by far the fastest is "technical" education. For example:

● In France almost a third of those gaining the *baccalauréat* school leaving certificate in 1988 did so in one of the technical "series" (which do not give general access to university);

● The Germans have created a whole new set of higher technical institutions;

● The Italians have increased participation rates in higher secondary technical education rather than "general" pre-university classes;

● In the Netherlands, too, the "technical" options are the fastest growing.

By contrast, full-time vocational schools are increasingly disliked by parents and students. They are seen as being out of touch with industry, and as offering poor employment prospects; they have very low prestige.

In England, the current debate on education and training pays extraordinarily little attention to the concept of "technical" education for 16-to-19-year-olds. The result is an often misleading interpretation of other countries' practices – and of the policy alternatives available to us here.

Alison Wolf,
Institute of Education,
University of London,
20 Bedford Way, WC1

From Mr B.V. Murphy.

Sir, "Bridging the Skills Gap (October 31), triggered by the Confederation of British Industry (CBI) report on vocational education and training, was shallow and unduly pessimistic in its analysis and surprising in its conclusion.

Though there remains a long way to go, what you refer to as "a decade of rhetoric" has not been barren. There has been a deluge of ideas and initiatives from UK Government agencies, notably the Manpower Services Commission and its descendants; too many, perhaps, which have not been co-ordinated, developed and built on. There have, however, been good ones, and the overall thrust has been to encourage the breakdown of boundaries between education and industry and to raise the importance of training in many boardrooms. The CBI paper reflects this, and is certainly in the right direction.

You are casually dismissive of Training and Enterprise Councils (TECs), the latest and potentially most important of government initiatives in the field. While we are concerned about whether they will really be industry-led (with largely civil service staffing), they seem to be attracting high-calibre people on to the boards, who are putting in much time and effort to launch the TECs successfully. They must be given time to prove their worth. Both the CBI proposals and the TECs introduce new approaches to the national problem you define, and, in focusing on the consumer – student or employer – try to solve it. Some linkage of the two could be powerful.

The solution you appear to support reverts to the supplier-led nostrums which, over many decades, have nurtured the problem. 14-16-year-olds are voting with their feet in almost mass truancy, and foisting more of the same on 16-19-year-olds hardly seems an answer.

B.V. Murphy,
Director, British Association for Commercial and Industrial Education,
16 Park Crescent, W1

FINANCIAL TIMES
Thursday November 16 1989

Left-wing guerrillas try to encircle San Salvador

By Tim Coone in San Salvador

FIGHTING in El Salvador spread to the western approaches to the country's capital yesterday as left-wing guerrillas tried to encircle the city.

Most of San Salvador's northern and eastern suburbs have been under guerrilla control since Saturday night, when the Farabundo Marti National Liberation Front (FMLN) launched a nationwide offensive.

Guerrilla units yesterday attacked the western military strongpoints near Santa Tecla. The Government has responded with counter-attacks supported by aircraft and helicopter gunships but the guerrillas appear to be holding their positions.

The FMLN leadership is claiming to have closed the northern and eastern approaches to the capital as well as one road to the southern town of La Libertad. According to the guerrilla radio station Venceremos, the capital is almost isolated.

With the toll of dead and wounded mounting, the International Red Cross yesterday made an urgent appeal to both sides for an immediate truce to evacuate wounded from the war zones, "be they civilians, soldiers or [guerrilla] combatants."

A Red Cross statement said: "The heavy fighting that has been raging in San Salvador for several days has had tragic consequences for the civilian population. The wounded must be evacuated and given the necessary medical assistance, but the Red Cross . . . has not been able to obtain access to combat zones."

In Havana, the guerrilla group said in a statement that its men had killed or wounded 760 government soldiers and beaten back counterattacks against their positions in San Salvador and other parts of the country.

With fighting widespread throughout the country and in all the main cities, total casualty figures are probably at least twice those of the capital.

War-weary troops fail to dislodge rebels

Tim Coone assesses the chances of a government and capital under siege

THERE is a simple yardstick to measure how serious the guerrilla offensive has become in El Salvador. The Government's best troops have been fully committed to defend the capital, San Salvador, of which the left-wing FMLN guerrillas now control one-third. But they have been unable to dislodge the insurgents from their newly-won urban strongholds.

In the northern suburb of Zacamil on Tuesday afternoon, soldiers sporting the red berets of the elite paratroop battalion weaved and dodged down a street leading to a guerrilla position. A jet laden with rockets circled overhead. Within half an hour, after a flurry of gunfire and explosions, the paratroops came back weaving and dodging in retreat. In the words of one western diplomat in San Salvador: "The army has been unable to take and hold positions."

To the east of the capital, along the Pan-American Highway, a paratroop officer, eyes red from exhaustion, said: "These guerrillas are going to fight to the finish." He had fought all day to try to open the road to the east of the country. "I've barely eaten or slept in three days," he said.

Districts on either side of the highway are under guerrilla control. No vehicles move on the road. He waves his arm, pointing east to the military air base of Ilopango: "Between here and the air base, it's all guerrillas."

Elsewhere in the country, the situation appears similar. Almost all the main cities are under siege and partially under the control of the FMLN. Smaller towns and villages have been occupied by the insurgents and are not even being challenged by government forces. According to reliable diplomatic sources, the army is fully stretched. "It is touch-and-go. It could fall either way," said one European military expert.

The armed forces are relying extensively on air power to try to soften guerrilla resistance in the capital. Helicopter gunships, jets and AC-47 aircraft armed with high-powered machine guns have been pounding the guerrilla-controlled suburbs with rockets and bullets for the past two days. More than 300,000 people live in the areas controlled by the guerrillas.

The FMLN has called for a nationwide insurrection to defeat the Government. Trenches, tunnels and dug-outs are being built in the suburbs. The main casualties of the Government's counter-offensive seem to be civilians.

San Salvadorean civilians carry a white flag of truce as they evacuate the embattled Zacamil neighbourhood yesterday

In the capital's main hospital, Los Rosales, almost 400 people have been admitted with war wounds since Saturday, when the guerrilla offensive began. According to one doctor there: "Most of the injured I have seen have wounds from shrapnel rather than bullets." The guerrillas lack heavy weapons. In the children's hospital there are more than 100 victims.

Latest casualty figures compiled from a variety of sources say there are more than 500 dead and some 1,000 wounded. These figures are from the capital alone.

Thousands have begun fleeing the besieged suburbs in the north and east of the city. According to one diplomatic source: "These now present one of the biggest security problems for the Government."

Most of the fugitives have come into the centre of the city. "They have no money, no food and no shelter," he said. Looting may soon become a problem, he added. "If there are arms caches in the centre and guerrillas among the refugees, as I am sure there are, the army will soon be attacked from its rear."

The same sources say the guerrillas have committed some 15,000 troops "and may have more in reserve." The army and security forces have 56,000 troops dispersed throughout the country, most committed to defending strategic points in the cities and along the main highways. The air force has some 100 helicopters and other aircraft, of which as many as 20 per cent may be out of action through combat losses or mechanical failure.

The Government, in contrast to the FMLN, has remained almost silent about the military situation. Even embassies which might be considered sympathetic are having difficulty obtaining reliable information. The main government requests for assistance are for food and medical aid.

At Los Rosales hospital, medical attendants say blood, medicines, and surgical equipment are in short supply. Foreign aid workers say, however, that medical donations are available but being held up by customs officials and pharmaceutical companies which control the distribution of medical supplies.

Encouraged by their early successes, the guerrillas have shifted from their initial stance of trying to convince the Government to negotiate. Now they are trying to stimulate a national insurrection. The FMLN has called for an indefinite general strike and is threatening employers who insist that their employees come to work.

Three days into the offensive, the country is paralysed. Apart from the armed forces, the Government as such is no longer functioning. Public offices are closed or running with skeleton staffs. Public and private transport are not working and factories are unable to operate because of sabotage to power lines.

According to one western military analyst, the Government's best option is to concentrate on defence of the capital and to abandon other areas. "This runs the risk, though, of leaving the rest of the country in guerrilla hands," he said.

THE LEX COLUMN

Major in a minor key

Precisely as might have been expected, Mr Major stuck closely to the Treasury formula yesterday: nothing beyond the brief and no hostages to fortune. For the markets, the two chief features were the low forecast for next year's growth – ¾ per cent excluding oil – and the slightly high figure of 5¾ per cent for end-1990 inflation. If the markets took this literally, the spectre of stagflation would be disturbing. Instead, the tendency is to assume that Mr Major is playing the role of incoming finance director and cramming the exceptionals into year one.

In fact, it is not clear that the substance of the statement is any different from what Mr Lawson might have produced, apart of course from the trimmings. The big broking houses seem not to be changing their estimates for next year's corporate earnings, which are ranged around 5 per cent. But growth of under 1 per cent is close enough to zero to admit the possibility of two quarters of negative growth, in other words a recession: and for some of the big brokers, 5 per cent earnings growth is already a compromise between economists expecting zero and sector analysts going for double figures.

The real judgement of the markets on all this will be expressed through the foreign exchanges. But the gibe that currency dealers cannot think about two things at once is often the simple truth. First, the D-mark has to come through its present turbulence. If sterling holds above DM2.90 thereafter, Mr Major will have passed his first test.

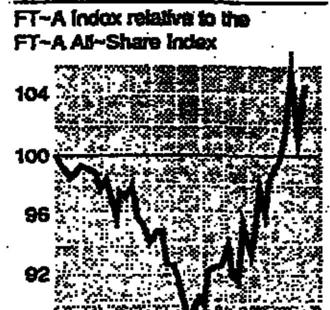
British Airways

British Airways' image has taken quite a battering recently, what with the collapse of the UAL deal, murmurs of boardroom discord and a flopped rights issue. But the underlying business is doing remarkably well. For an industry which has suffered declining real prices for many years, an 8 per cent jump in second quarter passenger yields is impressive, while volume remains remarkably buoyant given static traffic growth on the all-important North Atlantic routes.

BA has taken market share away from weaker rivals like Pan Am, its balance sheet is much healthier now that it has been prevented from investing in UAL's junk paper, and a 12 per cent dividend increase is a confident gesture in a cyclical

Insurance composite

FT-A Index relative to the FT-A All-Share Index



industry. Whether judged by a prospective multiple of less than 7 times earnings or the 2.4 times cash flow, BA shares certainly do not look expensive.

But they are not a roaring buy either. Costs are rising rapidly, and while next year's delays in the arrival of the Boeing jets may well come in handy if BA's traffic forecasts prove to be over-optimistic, the marginal profitability of BA's huge European operations is worrying. However, the greatest fear is that BA will be sucked back into the battle for UAL. Remove this concern and BA deserves a higher rating.

Composite Insurers

The stock market has been misreading the composites, and got its come-uppence yesterday. Mesmerised by Hurricane Hugo and the San Francisco earthquake into a rather naive assumption that US premium rates would swiftly jerk upwards, the market had turned too bullish. Yesterday's disappointing third-quarter figures from Commercial Union, where pre-tax profits were down 28 per cent, and General Accident, where they fell more than a third, ought to restore some realism.

Hugo's alarming £83m cost to GA is not the central issue, neither are the subsidence claims from the UK's dry hot summer. Strip out this year's additional subsidence claims and CU's non-life figures in the UK still turned from a £5.5m underwritingprofit in 1988 to a £5.8m loss this year. The fundamental reason for this, and the most important thing in yesterday's figures, is what looks like a sudden upsurge in price competition in the UK.

The evidence is clearest in industrial fire, where CU's premium volume fell an ominous 10 per cent. Given rising UK interest rates in 1988-89, it is no surprise if the market has been slashing prices to generate cash flow; equally significant is word from GA that rate increases for private motor insurance are over.

The industry has been here before, of course; and on yield grounds, Guardian Royal Exchange and Royal Insurance look rather cheap shares. But there is plenty of bad news left to come before the current down-cycle finishes. It may be 1991 or so before one can expect to see merger activity, likely though it is at some stage.

SHV/Burmah

The idea that SHV was intending to bid for Burmah Oil always looked highly unlikely, so the stock market's knee-jerk reaction to yesterday's anodyne statement from SHV is puzzling. SHV is a big, private company which is not under the same sort of stock market pressures as publicly owned corporate predators. It has the time and money to stalk its targets, which is just what it is doing with Burmah. It may never have been involved in an "unfriendly" situation; but it would be most unusual if it stopped buying shares just because Burmah Oil was getting increasingly unhappy about the intentions of its biggest shareholder. The outcome of this long-term courtship is anybody's guess. But if SHV is going to exert real pressure on Burmah, it needs more than 9 per cent, which is why one investor, at least, will be happy about yesterday's near 5 per cent fall in the Burmah share price.

35 hour week

Never sell on a strike, runs the old Wall Street maxim. The UK's engineering industry dispute seems to be proving it wrong; the evidence is the wide gap by which the shares of such as British Aerospace and Rolls-Royce have underperformed the market, since the unions began picking targets in July.

It is also too early to assume that this week's two deals, in which the workforce backed off from the 35-hour target at Smiths Industries and NEI-Parsons, are unequivocally good omens. The unions have shown that their campaign was a lot more than a face-saving exercise for full-time officials. That does not look good for companies, like Rolls-Royce, where margin improvements have been getting harder and harder.

Bonn forecasts 10% rise in tax revenues

By David Goodhart in Bonn

WEST GERMAN public finances this year will comfortably absorb the extra spending arising from events in East Germany thanks to a near 10 per cent rise in government tax revenues, according to budget experts in the centre-right coalition.

Meanwhile, the economy continues to boom and yesterday the Economics Ministry reported a 3.5 per cent growth in gross national product for the third quarter of the year. Even with the slightly weaker fourth quarter expected, in the light of recent industrial production and order figures GNP growth for the year is now likely to surpass the predicted 4 per cent.

The pace of economic growth combined with the influx of "new" Germans is doing nothing to relieve inflation anxieties. "The newcomers may be a long-term economic boost but in the short term they will spend more than they produce," said Mr Giles Keating of Credit Suisse First Boston.

The other inflation anxiety concerns negotiations in the engineering industry early next year. I G Metall, the 2.5m strong metalworkers' union, is now expected to make a claim for a pay rise of between 7.5 and 9 per cent in addition to the demand for a two-hour reduction in the working week to 35 hours.

The precise level of the money claim has not yet been determined, but some claims have already been lodged at Länder (state) level with Baden-Württemberg leading the way with 9 per cent. Union officials are also talking, privately, about new strike methods to replace the old tactic of pulling out key workers and then causing hundreds of thousands more to be laid off. That tactic has fallen foul of government legislation which has cut off state support to workers laid off.

The new plan is to organise "rolling strikes" – concentrated in the electronics and machine tool industries – with groups of workers called out for a short time and then going back to work to be replaced by other strikers.

Although metal workers and immigrants are adding to the inflation fears those same immigrants are helping to ease fears of a dramatically ageing society in the next century. Mr Norbert Blüm, the Employment Minister, said last week that the newcomers would contribute to a surplus of DM15bn to DM17bn ($7.9bn-$9.2bn) in the pension system by the year 2000.

Mr Blüm was speaking before the final passing of the Pension Reform Act – supported by all parties except the Greens – designed to rebalance the costs and benefits of the system given the falling proportion of workers to pensioners.

The key parts of the new Act, which begin to come into effect in 1992, are: pensions will in future rise in line with net and not gross income; pensionable age will in the year 2002 be phased upwards to 65 for both men (now 63) and women (now 60); the current contribution of 18.7 per cent of gross salary – divided equally between employer and employee – will rise after 1995 and reach 20.2 per cent by 2000; the Government's contribution will rise from 18.5 per cent of the total to 19.5 per cent in 1992.

● West Germany's 400,000 bank employees yesterday won a pay rise of 4.6 per cent.

Gorbachev backs E German reforms

By John Parker in Moscow

SOVIET President Mikhail Gorbachev has thrown his personal authority behind the reforms in East Germany, confirming his country's support for Mr Egon Krenz's decision to open the Berlin Wall.

But he again dismissed as untimely any discussion of prospects for German unity.

Equally ill-timed, he declared, was any suggestion – at least as far the Soviet Union was concerned – of ending the Communist party's constitutionally enshrined "guiding role" in society.

Speaking to a conference of Soviet students in Moscow yesterday, he argued that the changes in East Berlin are a part the process of renewal in all socialist countries.

"We welcome what is happening in the German Democratic Republic," he told the students. But he said the question of reunification was "not topical." Talking about the issue would mean "interference in the affairs of West Germany and of the GDR."

Mr Leonid Abalkin, the deputy prime minister in charge of economic reform, told a conference of Soviet economists that "what is happening in Vorkuta (the mining town on strike inside the Arctic circle) worries us a lot more than what is happening in East Germany."

Mr Gorbachev nevertheless sought to place limits on the radical reformers in his own country who have been demanding the abolition of article 6 of the constitution, which guarantees the Communist party's role. Its abolition is one of the demands put forward by the miners in Vorkuta. Echoing a refrain of Kremlin conservative Mr Yegor Ligachev, he said that the party was the only thing capable of holding the country together. Pluralism of opinion, he added, could be encouraged by a modernised Communist party just as well as by competing political parties.

But in an apparent change from many previous speeches, he added that "Lenin couldn't forecast everything."

"People should not use quotes from him to cover up their actions," Mr Gorbachev said – although he has often been accused of doing precisely that himself.

Union pleads with striking miners; Soviet rationing; E Berlin group seeks role; 'obeying orders,' Page 2

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	16	61	Malta	F	19	66	Rhodes	S	18	64
Algiers	C	22	72	Edinburgh	C	8	46	Manchester	C	9	48	Rio de J'o	C	30	86
Amsterdam	C	11	52	Faro	S	19	66	Manila	F	32	90	Rome	S	15	59
Athens	S	16	61	Florence	S	10	50	Melbourne	F	16	61	Salzburg	S	4	39
Bahrain	S	31	88	Frankfurt	C	1	34	Mexico City	F	26	79	San Francisco	F	10	50
Bangkok	F	34	93	Funchal	F	21	70	Miami	F	24	75	Seoul	C	11	52
Barcelona	C	17	63	Geneva	C	5	41	Milan	S	12	54	Singapore	F	27	81
Beirut		–	–	Gibraltar	F	18	64	Montreal	R	2	36	Stockholm	R	3	37
Belfast	C	10	50	Glasgow	C	9	48	Moscow	Sn	1	34	Strasbourg	C	2	36
Belgrade	S	7	45	Guernsey	S	12	54	Munich	F	4	39	Sydney	S	25	77
Berlin	C	9	48	Helsinki	C	0	32	Nairobi	F	24	75	Taipei	R	21	70
Biarritz	R	13	55	H. Kong	F	22	72	Naples	S	16	61	Tangier	F	20	68
Bombay	S	31	88	Innsbruck	S	8	46	Nassau		–	–	Tel Aviv	C	16	61
Bordeaux	S	15	59	Inverness	Fg	3	37	New Delhi	S	26	79	Tenerife	Dr	22	72
Brussels	C	9	48	Islamabad	C	23	73	New York	C	17	63	Tokyo	C	12	54
Budapest	S	5	41	Istanbul	F	11	52	Nice	S	17	63	Toronto	C	13	55
B. Aires	F	19	66	Jakarta	R	33	91	Nicosia	C	18	64	Tunis	S	21	70
Cairo	F	22	72	Jersey	S	10	50	Oporto	C	13	55	Valencia	R	19	66
Cape Town		–	–	Jo'burg		–	–	Oslo	S	8	46	Venice	S	9	48
Caracas	C	27	81	Lima	F	20	68	Paris	S	8	46	Vienna	C	6	43
Casablanca	R	14	57	Lisbon	F	16	61	Peking	C	5	41	Warsaw	C	7	45
Chicago	C	6	43	London	C	11	52	Prague	C	5	41	Washington	C	16	61
Cologne	C	9	48	Los Angeles	F	12	54	Reykjavik	F	4	39	Zurich	C	3	37
Copenhagen	S	7	45	Luxembourg	C	7	45								
Corfu	S	19	66	Madrid	F	15	59								
Dallas		–	–	Majorca	F	20	68								
Dublin	C	11	52	Malaga	F	18	64								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Major predicts economic slowdown

Continued from Page 1

Mr Major forecast 1¼ per cent real growth in gross domestic product next year after an estimated 2 per cent this year and 4.25 per cent growth in 1988. The Treasury's official forecast projected a still more meagre ¾ per cent expansion of the non-oil economy in 1990 after 3 per cent this year and 5 per cent growth last year.

Domestic demand, which grew by 7¼ per cent last year and is projected to increase by 3¾ per cent this year, is expected to stagnate in 1990. The Treasury expects growth of fixed investment will slow to 1¾ per cent next year from 5¼ per cent in 1989 and 13¼ per cent in 1988.

Mr Major said the slowdown was necessary to combat inflation. "To achieve this, the economy must slow for a while," he said, adding: "This does mean that 1990 may not be an easy year."

However, he insisted that the British economy was entering the 1990s in "incomparably better shape than it entered the 1980s," with business and industry better able to handle the short-term difficulties and long term opportunities ahead.

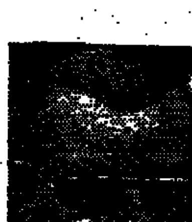
The Government is pinning its hopes on a sharp increase in exports to sustain growth and cut the current account deficit next year. Its forecast envisages a real 6¼ per cent increase in exports of goods and services in 1990 after growth of 4¾ per cent in 1989 while the growth of imports is expected to decline to 1¼ per cent next year from a projected 9¼ per cent this year.

Mr Major said departmental spending totals would be £4.6bn higher than previously projected.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 16 1989

INSIDE

Back biting to the futures



Machiavelli is alive and well, and living in Chicago. That city's Board of Trade is being rocked this week by a bout of political intrigue, as the incumbent chairman faces a tough challenge to his leadership. In the close-knit environment of the windy city's futures industry, it has been almost a tradition for exchange leaders to stand unopposed for re-election. But as two challengers have already launched strong campaigns to unseat Mr Karsten "Cash" Mahlmann (above), the current chairman, the politicking has begun ahead of January's hotly contested vote. Deborah Hargreaves reports. Page 27

Sky falls on News Corp

First quarter profits at Mr Rupert Murdoch's News Corporation were hit hard by the costs of Sky Television in the UK, the Australian pilots' dispute and sharply higher interest charges. The after-tax result slumped by 58 per cent and dramatically fulfilled Mr Murdoch's prediction at last month's annual meeting that earnings in the current year would "not have their customary integrity." Page 34

Gold in an emerald setting

RTZ has struck gold in Northern Ireland, and says the prospect, in County Tyrone, could be developed into a mine in the early 1990s. The discovery is near an earlier find by Ennex International. But, while its scale would delight many junior companies, the world's largest mining group will probably sell it once it has been brought to the development stage. Security is a problem in an area where the IRA is active. Ennex attempted to develop its project without using explosives but its unorthodox methods proved to be slow and expensive, writes Kenneth Gooding. Page 34

Bombay ducks out

Investors' confidence that Prime Minister Rajiv Gandhi's Congress Party will win an absolute majority at the national elections in a week's time has been eroded, and India's stock markets are moving inexorably downhill. R.C. Murthy explains that an added difficulty this week has been the closure of the Bombay Stock Exchange after a fire on Sunday, which gutted two floors of the 25-storey skyscraper. Page 46

Slick performance by Ultramar

Ultramar, the diversified oil group, yesterday reported strong growth in third-quarter earnings, reflecting big acquisitions made at the end of last year. It also announced a swap of North Sea assets with Elf UK, part of the French oil group, as part of an effort by both companies to rationalise exploration acreage holdings. Page 32

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Bon Marche	1043	+	64.8
Metallgesellschaft	498	+	16.5	Chargeurs	1113	+	63.5
Siemens	585.5	+	5	Lafarge Cie	1270	+	57.5
Volkswagen	442	+	6	SAT	1916	+	86.9
Falls				**Falls**			
Commerzbank	244.5	-	2	[illegible]			
Daimler-Benz	647	-	16	Ingenico	195	-	11.2
Thyssen	220	-	6	SCOA	46.25	-	2.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Avon Products	37⅞	+	2	Daiwa	2100	+	200
Castle & Cooke	23⅞	+	1⅛	Fuji Kiko	1510	+	140
Exxon & Sibbitt	23⅞	+	1¼	Kyokuyo	1440	+	180
MCA	67⅞	+	1¾	Press Kogyo	1390	+	120
Mylan Labs	23⅞	+	1⅛	Tamura Elect	1650	+	210
Falls				**Falls**			
Cineplex Odeon	10⅞	-	⅛	Higuchi Kakkin	1900	-	100
PARIS (FFr)							
New York prices at 12.30pm.							
LONDON (Pence)							
Rises				Calor	414	+	12
Dowty	249	+	4	Comm Union	447	+	15
Rothmans	835	+	8	Elec Dataplex	873	+	11
BTC	273	+	4	Eurotunnel	448	+	27
Sainsbury J	252	+	2	Gen Accident	1038	+	13
Smith Inds	270	+	9	Hawtree	226	+	9
Stand Chart	515	+	11	Land Securities	521	+	6
Unilever	655	+	12	Legal & Gen	376	+	12
Utd Scientific	113	+	7	Pearl	847	+	3
Falls				Pilkington	237	+	10
Brit Aerospace	519	-	7	Scot & New	357	-	17
Burmah	558	-	22				

PCs overtake mainframe revenues at IBM

By Alan Cane in London

PERSONAL computers are overtaking big mainframes as the largest source of revenues at International Business Machines. This is a dramatic turn with deep implications for IBM, which has dominated the world's computer industry for 30 years.

IBM established its commanding position with large computers costing millions of dollars and commanding gross profit margins in excess of 70 per cent. Now it finds itself largely dependent for growth on products costing less than $10,000, where gross profit margins can be as slim as 30 per cent, and where the competition is ferocious.

Furthermore, while IBM is also the dominant force in personal computing, it has nothing like the stranglehold on customers and technological development that it enjoys in mainframes.

In terms of corporate image and culture, the transformation is akin to Boeing announcing that its growth would in future be fuelled by sales of single engined executive flyabouts rather than wide-bodied jetliners.

Because of the stark contrast in growth rates of the two products, crossover of revenues is inevitable. The chances are it has already been passed in 1989.

Mr Brian Uttley, manager of the Boca Raton, Florida facility where the IBM PC was conceived and, until earlier this year, manufactured, said yesterday that revenues from mainframes and personal computers were rapidly converging. Early indications were that they were running neck and neck in 1989.

The bulk of IBM's profits, however, is still derived from mainframes, hugely powerful machines supporting hundreds of users which are the work horses of commercial data processing.

IBM dominates the mainframe market in a style that is rare in any industry. About 70 per cent of commercial mainframes are either manufactured by IBM or designed to run IBM software. Despite huge marketing costs, margins can be spectacular. A $2.5m 3090 mainframe may cost IBM only $100,000 to build.

But the mainframe industry has reached maturity and is growing at less than 10 per cent a year, little more than replacement levels. Mainframe sales are being hurt furthermore, by the emergence of small, inexpensive computers able to take on tasks that would formerly have been run on mainframes. Nevertheless, many data processing activities in large corporations can only be tackled by mainframes.

IBM's revenues from mainframes, substantial as they are, are hardly keeping pace with the growth of the industry - $13.2bn in 1986, $14bn in 1987 and $15.2bn last year. Such growth as there was came from outside the US; in its home territory, revenues from mainframes have been static.

The picture has been complicated by a move from purchase to leasing among customers anxious about the direction information technology is taking and keeping their options open. This development contributed to a 30 per cent slide in earnings to $877m in the three months to September 30.

PCs, however, are going through a phase of explosive growth. Mr Uttley estimates IBM's own growth in PCs over the past year at more than 30 per cent. In 1988, the company's sales of personal computers amounted to $11.3bn. It is clear that PCs must now be contributing close to 25 per cent of IBM's gross revenues which in 1988 totalled $60bn.

Some idea of the effect this change of emphasis is having within IBM can be gauged from the fact that IBM introduced its first PC only in 1981, some four years after Apple Corporation, and with considerable doubts about the validity of the market.

It was a dramatic success. Within two years the IBM PC had between 25 per cent and 40 per cent of the PC market in most developed countries. But its simple technology made it easy to copy and it spawned imitators willing to accept lower margins.

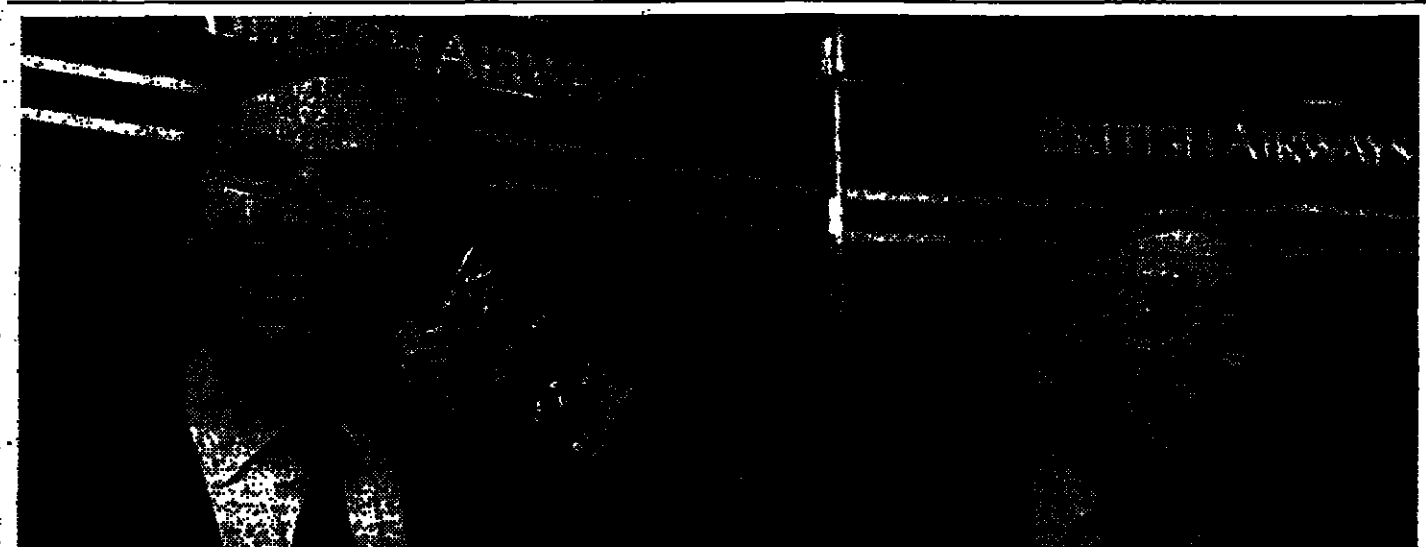
IBM realised its mistake; two years ago it launched its Personal System/2 (PS/2) range of more advanced personal computers incorporating proprietary technology which it was unwilling to share with competitors. In particular, it featured a new way of moving data around inside the computer called Micro Channel Architecture that was more akin to the technology found in mainframes than in microcomputers.

But again IBM seemed to have made a mistake, bucking the overwhelming trend for common, industry standard hardware which can use any software without modification.

IBM's rivals, led by Compaq in the US and Olivetti in Europe, established their own design called Extended Industry Standard Architecture. Even IBM's own technologists agree there is little to choose between the two designs. Mr Gary Griffiths, for example, in charge of PS/2 development at Boca Raton, says: "They are both good solid architectures. It is now inevitable that there will be two."

So IBM has failed to convince the personal computer world that it alone has the right to set the PC standards for everybody else to follow. IBM says it will license its MCA technology to others but it may well be too late.

But it understands very well how important PCs are now to its growth. The battle for technological dominance may have been lost, but IBM's dealer network is extensive and its manufacturing costs are among the lowest.



BA chairman Lord King (right) described as "irritating" and "naughty" suggestions of a rift between himself and Sir Colin Marshall Alan Harper

British Airways profits soar to £259m

By Paul Betts, Aerospace Correspondent, in London

BRITISH Airways yesterday reported record first half pre-tax profits of £259m ($410m) but warned of possible turbulence because of higher fuel costs, late delivery of Boeing aircraft, a downturn in the UK economy and European air traffic delays.

The 16.7 per cent rise in profits from £222m was above expectations and airline analysts were generally bullish on the outlook for BA. Prospects of an early new two-year BA wage agreement announced yesterday by Sir Colin Marshall, chief executive, especially lifted City sentiment.

But although Lord King, BA's chairman, brushed aside speculation of a management rift, he did not altogether dispel the sense of unease inside the company after last month's collapse of the United Airline buy-out.

When asked to comment on suggestions of tensions with Sir Colin, Lord King said the question was "irritating" and "naughty." He could not help speculation, but he had worked successfully with Sir Colin for the past seven to eight years and suggested the partnership would continue for some time.

On the role of Mr Michael Levin, the US consultant hired by BA who is alleged to have been a cause of internal strains, Lord King said the airline employed many consultants. But he conceded "consultants are rather dangerous things to have" as Mr Nigel Lawson, the former Chancellor, must know, he added.

Sir Colin confirmed Mr Levin was still working on some current projects for BA but would not say whether he would be working on any future ones.

Lord King said BA was worried by the 22 per cent increase in fuel costs in the first half reflecting higher oil fuel prices and a stronger US dollar. Europe remained a concern because of air traffic delays and disruptions.

BA said it was in a strong position to overcome a UK downturn because of its strong overseas business, fleet rationalisation, as well as pre-tax benefits of £50m a year from reduced pension contributions, strong cash flow and the proceeds of the £310m rights issue originally intended to finance part of BA's participation in the United buy-out.

Lord King said the labour dispute at Boeing had disrupted plans to increase capacity because of the late delivery of new Boeing 747-400 and 767-300 aircraft.

In the six months to September 30, group turnover rose 14.2 per cent from £2.21bn to £2.53bn. On earnings per share of 23.3p (20p), the interim dividend is increased to 2.8p (2.5p).

Lex, Page 20

Fiat may combine Lancia with Saab

By Kevin Done, Motor Industry Correspondent, in London

SAAB-SCANIA and Fiat are discussing a merger of the Swedish group's loss-making Saab car division with the Italian company's Lancia division.

Saab-Scania has been seeking a partner for its troubled car division for several months. The discussions with Fiat have intensified following the collapse last month of its negotiations with Ford of the US.

The two groups are understood to be considering the formation of a jointly-owned holding company for Saab and Lancia. It is possible that such a holding company would be headquartered in a third country, such as the Netherlands.

This is the pattern that Fiat adopted for Iveco, its commercial vehicles subsidiary which was formed in the mid-1970s from the merger of five independent truck companies in Italy, France and West Germany, and which is registered in the Netherlands.

Saab has a long history of collaboration with the Fiat and in particular with Lancia. In the mid-1970s, Saab began importing some Lancia models into Scandinavia. One model, the Lancia Delta, was rebadged and sold as the Saab 600. Others such as the small Lancia Y10 and the Lancia Prisma were sold under their own names. Before the relationship ended in 1987, Saab sold about 20,000 Lancia cars in Sweden, Denmark and Norway.

With Alfa Romeo, the two companies embarked on a more far-reaching collaboration in 1979, with the joint development of a common floorpan (chassis platform) and some other components for a new range of executive cars which emerged in the mid-1980s as the Saab 9000, the Lancia Thema, the Fiat Croma and the Alfa Romeo 164.

As part of the current discussions, it is understood that Fiat is considering moving Lancia Thema production from Italy to Sweden.

According to a report in the US publication Automotive News, the two groups are also examining the possibility of Saab using a derivative of the Fiat Group's so-called Type Two floorpan as the basis for a replacement for Saab's ageing 900 series.

Fiat has already launched the Tipo small family car on this platform, and it will also be the basis for the replacement for the Lancia Delta, due to be launched in 1991.

Saab's car division has plunged steeply into loss with a loss of SKr1.2bn ($186m) in the first eight months of 1989. It needs to increase production volumes and is under extra pressure after the opening of a new assembly plant in Sweden this autumn.

It wants to implement an extensive rationalisation of the car operations including the sale of some components operations, a reduction in production and cuts in the workforce, but this is not expected to show results before 1990-91. The workforce is due to be cut by 1,500 to 2,000 by the end of 1991.

Elders scraps brewing flotation and holds onto stake in S&N

By Chris Sherwell in Sydney and Ray Bashford in London

ELDERS IXL, the Australian brewing, resources and finance group, does not expect to sell, in the near future, its 25 per cent holding in Scottish and Newcastle, one of the UK's six biggest brewing companies. It has also "deferred indefinitely" the planned flotation of its international brewing interests.

Mr John Elliott, chairman of Elders, told shareholders at the annual general meeting in Adelaide yesterday that talks about the disposal of the S&N stake had taken place with several groups. But he added that a sale was not "imminent."

S&N shares rose sharply on Tuesday after an Elders director said that discussions were well advanced with "a couple of people who are very interested in the S&N holding." Mr Elliott's comments yesterday, however, forced the shares down by 17p to 357p.

At this price Elders is holding a paper loss on the stake, which was acquired before last November's failed takeover attempt on S&N. The Monopolies and Mergers Commission blocked the takeover and gave the Australian company until next July to reduce the stake to below 10 per cent of the capital.

Mr Elliott said that altered circumstances in the UK and Canada, where Elders has a substantial share of the beer market, had forced a delay in the flotation of the group's international brewing interests.

"I don't think there's any reason to float it off. Markets around the world have changed and we would not get the same premium as we would have done earlier," he added.

The Elders group's outlook for 1989-90 was promising, he said, but high interest rates and an "overvalued" currency would make the year challenging.

Mr Elliott also referred to Harlin, through which he and his executives now control Elders. He insisted its interests were "completely compatible" with those of other Elders shareholders because it was restricted by its Articles to investing only in Elders.

Harlin's recent debt-funded acquisition of 56 per cent control was the chief reason for this week's five-notch downgrading of Elders IXL's credit rating by Australian Ratings.

Mr Elliott said the agency had "grossly misrepresented" the position of Elders. On the stock exchange, Elders shares lost three cents in Sydney to finish at A$2.29.

Paramount could get EC status through TV link with Carlton

By Raymond Snoddy in London

PARAMOUNT, the Hollywood film production company, is to take a 49 per cent stake in Zenith, the film and television production arm of Carlton Communications, the UK-based television services group.

Carlton and Paramount will jointly fund an expansion of production with a particular emphasis on television programmes for the international market. Paramount will back both current and future Zenith productions.

The venture is of considerable strategic importance for both companies. The deal will give Paramount, whose recent box office successes have included Crocodile Dundee, Flashdance and Top Gun, an important entrée to the rapidly expanding European television market.

It will also effectively give the US studio European Community status at a time when Hollywood studios are concerned about planned restrictions on non-EC programme content on European television channels.

For Zenith, the relationship with Paramount is expected to open up the all-important US distribution market for the company's film and television programmes. Ironically Zenith, which was set up by Central Independent Television, was sold to Carlton in 1987 because of new rules planned by the UK Government on independent production.

As a Carlton subsidiary, Zenith qualified as an independent production company something that was not possible while it was a subsidiary of an ITV company. Carlton itself owns about 20 per cent of Central. Its name has also been linked with Thames Television, the largest of the 16 British commercial television companies.

Apart from investing in films, Zenith has specialised in television dramas such as The Paradise Club and Inspector Morse and game shows such as Catchphrase. Mr Charles Denton is expected to remain its chief executive.

Carlton's other television interests range from professional editing equipment to the duplication of video cassettes.

INTERNATIONAL COMPANIES AND FINANCE

Olivetti capital increase one-third undersubscribed

By Sari Gilbert in Rome

OLIVETTI shareholders have failed fully to subscribe to the Italian office equipment company's capital increase, designed to raise L454.1bn ($334m).

More than a third – 38.9 per cent – of the 54.7m common shares offered last summer to shareholders on a one-for-ten basis have not been taken up.

The failure of so many shareholders to exercise their rights to participate in the issue, which is guaranteed by a banking syndicate led by the Milan merchant bank, Mediobanca, was seen as highly disappointing for Olivetti.

Olivetti pointed out, however, that the stock markets were particularly negative during the course of the option period from September 15 to October 17. It said most shareholders, especially small and medium-sized shareholders, tend to wait until the last week of an offer. In this case, the final days of the subscription period coincided with Wall Street's biggest fall since October, 1987.

However, some market analysts believe that given some uncertainty about Olivetti's 1989 performance the size of the capital increase was unlikely to make full subscription. The share capital increase was part of a larger package designed to raise up to L1,200bn. That was decided last July following American Telephone & Telegraph's liquidation of its 22.3 per cent stake in Olivetti and the transfer of its investment to CIR, the industrial holding company of Olivetti chief Mr Carlo De Benedetti.

Italian law prescribes that rights unopted for in the subscription period must be offered on the open market for at least five consecutive stock market sessions during the following month.

This offer began on November 13 and will end on November 17, after which their subscription is guaranteed by the Mediobanca consortium.

Siemens lifts payout as earnings rise by 13%

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics group, will pay a higher dividend for the past financial year ended September 30, after a 13 per cent rise in net profits to DM1.6bn ($869m).

Shareholders will receive DM12.50 a share against DM11 in the two previous years; the 1986-87 payout was cut from DM12 after a profits drop.

The company said 1988-89 was characterised by above-average demand in most sectors, with Siemens also benefiting from its own reorganisation and acquisitions.

Among the latter were the takeover, with General Electric of the US, of Plessey, the UK electronics company, and the US purchases of the Bendix automobile electronics operation and the Rolm telephone switchboard activities of IBM.

The new order inflow at Siemens, which is also expected to benefit from the opening of the borders with East Germany as that country modernises its economy, rose by 15 per cent last year to DM63bn. Foreign orders, accounting for 56 per cent of the total, were 16 per cent higher, while new domestic business rose by 14 per cent.

Turnover was only 3 per cent higher at DM61.2bn, but excluding the effect of uneven timing of domestic power station contracts – revenues from two were booked the previous year, compared one last year – the rise was 11 per cent.

The biggest division, energy and automation technology, was also the fastest growing, with new orders up 20 per cent.

Tougher market conditions and falling prices held back the telecommunications and information systems division, while the electrical installation and automotive systems sector benefited from the rise in new construction and the continued high level of car and truck production.

Investments during the year increased from DM5.2bn to DM7.9bn, including both capital spending and acquisitions.

Sparks fly over Darty buy-out

George Graham on the troubles of the biggest LMBO in France

MR Philippe Francès, chief executive of Darty, thought he had an open and shut case. The FFr7bn ($1.1bn) acquisition he led last May of France's leading electrical retailer appeared to be not only the biggest leveraged management buy-out the country had seen, but also the most confident of success.

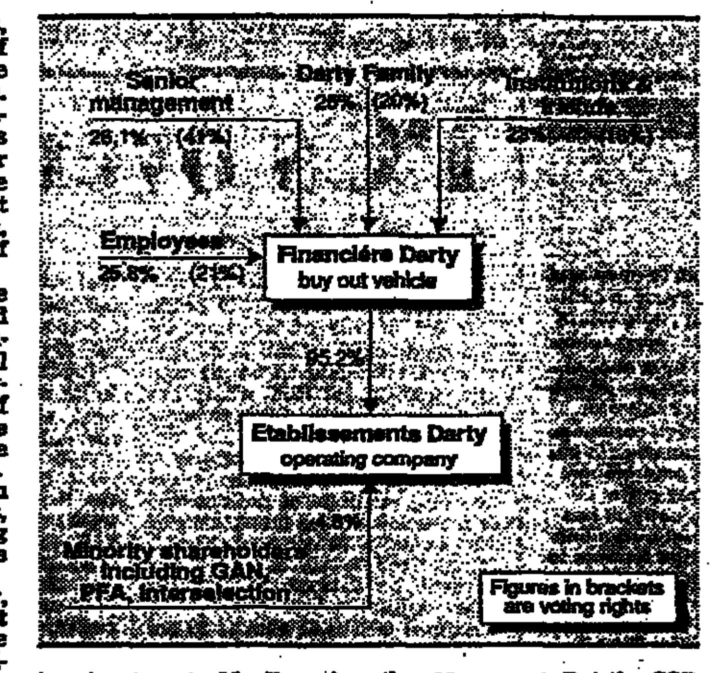
With the support of the Darty family, which founded the retail chain, and of a number of friendly institutional investors, Mr Francès's buy-out was already assured of winning over 50 per cent of the company's capital, even before the public offer was launched.

In spite of complaints from some disgruntled institutions, the offer succeeded in gaining more than 95 per cent of the shares.

However, 16 months later, the French stock market authorities have reopened the file with a damning report calling into question the way the operation was conducted.

The report from the Commission des Opérations de Bourse opens the way not only for civil suits from the disgruntled minority shareholders, but also threatens a criminal prosecution for spreading deceptive information, carrying a fine of up to FFr10m.

Darty was the first listed company to try to couple the LMBO technique with a public takeover offer, and the marriage had its problems.



In order to secure the best tax treatment, Mr Francès wanted to win acceptance from all shareholders for the offer of FFr400 a share made by his buy-out vehicle, Financière Darty. This would permit Financière Darty to merge with the operating company, Etablissements Darty et Fils, so that the FFr5.5bn borrowed for the buyout could be repaid from current earnings.

In the first place, he secured the acceptance of the Darty family, with around 25 per cent, and of a number of institutions accounting for a further 26 per cent. But the COB says these institutions were offered the possibility of participating in Financière Darty and in the loan syndicate in return for their shares, thus breaking the principle of equal treatment for all shareholders.

To convince the remaining shareholders, Mr Francès and his team used the carrot, in the form of the FFr400 a share offer, nearly 20 times 1988 earnings, but also the stick: the threat that after the merger, there would be no more dividends for years, since all the group's earnings would be devoted to debt repayments.

Some shareholders, however, including the GAN and PFA insurance groups and the Intersélection mutual fund managed by Société Générale, decided to hold on to their shares, calculating that after the merger their stake in Financière Darty would be worth considerably more than the price they were being offered for their Etablissement Darty shares.

But Darty decided, if it won 95 per cent or more of the capital of the company, to opt for a newly authorised tax treatment known as "fiscal integration," which allows the holding company to pay its interest payments out of the pretax profits of the operating company. The law prohibits companies which have chosen fiscal integration from merging for at least five years.

The COB objects that the board failed to inform shareholders of this decision, and has passed its findings to the public prosecutor.

Darty's difficulty is that the few shares still outstanding are currently trading at nearly FFr1100, or 33 times last year's earnings, and Mr Francès has said it is out of the question to make an offer on the basis of the market price.

With the announcement of the COB's highly critical findings, the leverage has moved in favour of the minority shareholders, and Darty may be forced to bargain.

Novo-Nordisk advances 6%

By Hilary Barnes in Copenhagen

PROFITS at Novo-Nordisk, the Danish insulin and industrial enzymes group, were boosted by volume growth for major products and favourable exchange rate developments in the first nine months, the company said.

Pre-tax profits increased by 6 per cent to DKr858m, up from DKr809m last year, sales advanced by 14 per cent to DKr5.49bn ($782m), and net profits by 10 per cent to DKr618m, up from DKr560m. Earnings per share increased from DKr17.72 to DKr19.53 and per ADS from $2.43 to $2.68.

Third-quarter pre-tax profits rose by 20 per cent from DKr225m to DKr269 and net earnings by 28 per cent from DKr156m to DKr200m on sales up 9 per cent to DKr1.755bn.

Higher raw material costs reduced the pre-tax margin on sales by 1.2 percentage points to 15.6 per cent in the first nine months, but this was better than expected, said the third quarter statement.

Pre-tax income for the full year is expected to be ahead by about 10 per cent.

In 1990 the group is looking for an earnings improvement of 12-15 per cent as the benefits of the merger between Novo and Nordisk Gentofte at the beginning of this year begin to show up.

The controversy over the use of human insulin, that developed as a result of sudden deaths among diabetics in Britain which, it was thought, might be related to the use of human insulin, is not mentioned in the third quarter report.

However, Mr Kurt Anker Nielsen, corporate finance manager, said the controversy was not expected to influence sales. He noted that associations of diabetics in many countries had strongly advised patients not to switch to other forms of insulin.

The health care group, which is dominated by insulin production, increased sales by 16 per cent in the first nine months to DKr3.57bn, while the bioindustrial group increased sales by 20 per cent to DKr1.67bn.

● Bang & Olufsen, the Danish television and audio-equipment manufacturer, and Sweden's Ericsson plan to set up a joint venture in Denmark based on the B&O telecommunications products subsidiary, Dikon Systems, to develop, produce and market new tele-net products, which will complement the Ericsson product programme, the companies announced.

Hahn says VW profits up 40%

PROFITS of Volkswagen, the West German motor group, rose by more than 40 per cent in the first nine months, Mr Carl Hahn, the chief executive, said in a television interview. Turnover was 12 per cent higher at DM48bn ($25bn), writes Andrew Fisher.

The statement, ahead of VW's official figures on Friday, caused the shares to gain DM10 to DM457 in after-hours trading. In official dealings, they rose by DM6. Hopes of more East German business had propelled the shares ahead in the last few days.

VW's figures for the first six months showed a 30 per cent increase to DM408m in group net profits. Mr Hahn's news of a 40 per cent advance to about DM600m in January-September exceeded many estimates, though some analysts said VW's quarterly figures are often erratic and it may show a slacker fourth quarter ahead of crucial wage talks.

Home demand boosts Mazda

By Our Tokyo Staff

MAZDA, the Japanese car maker allied to Ford of the US, yesterday reported increases in interim sales and profits due to domestic demand.

It also announced plans for a Y60bn ($416m) new assembly line for luxury cars at a plant in Hofu, Yamaguchi prefecture, in central Japan.

Reporting parent company figures for the six months to the end of September, Mazda said sales rose 6.1 per cent to Y1,007bn and profits 6.9 per cent to Y22.3bn. The figures for last year, which was an irregular reporting period, are adjusted for comparison.

Mazda sold 261,000 cars in Japan, an increase of 22 per cent and exported 393,000, a decline of 3.4 per cent. Exports fell because of increases in overseas production by subsidiaries. For the first time in 10 years, the proportion of exports in the parent company's sales fell below 60 per cent, to 59 per cent.

For the full year, Mazda forecasts a 15.7 per cent increase in pre-tax profits to Y48bn and a 3.5 per cent rise in sales to Y1,980bn.

The new assembly line, with an annual capacity of 160,000 cars, will come on stream in 1992.

● Yamaha Motor, the world's second-largest motorcycle maker, reported a 1.2 per cent fall in pre-tax profit to Y3.37bn in the first half to end September, despite a 3.7 per cent increase in total sales during the period.

The company attributed the decline to Y800m in expenses incurred on a warrant bond issue, and predicted that pre-tax profit for the full year would be Y6.5bn, up from last year's Y5.82bn, as export growth is outpacing a decline in domestic sales.

Exports to Europe and South-east Asia rose by 35.2 per cent, while domestic sales fell by 19.1 per cent.

Holderbank forecasts 16% increase

By William Dullforce in Geneva

HOLDERBANK, the world's leading cement producing group with headquarters in Switzerland, expects to improve its consolidated net earnings by 16 per cent to about SFr410m ($251m) this year.

Turnover, boosted by the consolidation of new acquisitions and favourable exchange rates, is forecast to rise to SFr5bn.

Cash flow is set to increase more moderately, by 5.8 per cent to SFr910m.

COMPANY NOTICES

HOLIDAYS & TRAVEL

PERSONAL

ART GALLERIES

EDUCATIONAL

INTERNATIONAL APPOINTMENTS

AMCA INTERNATIONAL CORPORATION

NOTICE OF PARTIAL REDEMPTION

OF

12.25% GUARANTEED RETRACTABLE DEBENTURES DUE 1999

TO: Holders of the first series of debentures ("1999 Debentures") of AMCA INTERNATIONAL CORPORATION (the "Corporation") issued and certified and outstanding under a Trust Indenture ("Trust Deed") dated as of December 21, 1984 between the Corporation, Montreal Trust Company of Canada (the "Trustee") and AMCA International Limited, as guarantor, and designated a *Guaranteed Retractable Debentures due 1999*.

NOTICE IS HEREBY GIVEN THAT, pursuant to the terms of the Trust Deed, the Corporation intends to redeem and will redeem on December 21, 1989 (the "redemption date") all of the outstanding 1999 Debentures at a redemption price equal to 100% of their principal amount together with accrued interest thereon, *to the date* fixed for redemption (the "redemption price").

The redemption price for 1999 Debentures called for redemption shall be payable on presentation and surrender thereof with all unmatured Coupons appertaining thereto at any of the offices of: The Royal Bank of Canada London Branch, 71 Queen Victoria Street, London, EC41 4DE; The Royal Bank of Canada (France) S.A. at 3 rue Seribe, 75440 Paris, France; The Royal Bank of Canada (Suisse) at Rue Diday 6, 1204 Geneva, Switzerland; The Royal Bank of Canada (Belgium) S.A. at Rue de Ligne 1, 1000 Brussels, Belgium; The Royal Bank of Canada A.G. at Rochenheimer Landstrasse 61, 6000 Frankfurt/Main 1, Federal Republic of Germany; or Banque Generale du Luxembourg S.A. at 27 Avenue Monterey, Luxembourg.

Each Bearer 1999 Debenture must be surrendered for payment with all unmatured Coupons appertaining thereto, failing which, in the case only of Coupons maturing for payment on or prior to December 21, 1989, the amounts of any such unmatured Coupons will be deducted from the sum due for payment and, in the case of Coupons maturing thereafter (which shall be declared void), such payment shall be made only on such terms as to evidence and indemnification as the Corporation with the consent of the Trustee may require. Each amount so deducted will be paid, *without interest*, in the manner mentioned above against surrender of the relative missing Coupon within the period expiring ten years next following the Relevant Date, as defined in the Trust Deed.

Each Registered 1999 Debenture payable on redemption prior to maturity thereof must be surrendered *for payment* with, *if required by the* Trustee, the form of transfer thereon duly executed.

The method of delivery of the 1999 Debentures and Coupons, if any, is at the option and risk of the holder.

Interest upon the principal amount of the 1999 Debentures shall cease to be payable from and after December 21, 1989 unless payment of the redemption price shall not be made on presentation and surrender of such Debentures and all unmatured Coupons (if any) appertaining thereto at any of the places referred to in paragraph 2 above.

Dated the 16th day of November, 1989.

AMCA INTERNATIONAL CORPORATION
By: John A. Davis
Senior Vice-President
(General Counsel, Secretary)

BANK OF TANZANIA

PRESHIPMENT INSPECTION SERVICE

The Bank of Tanzania acting on behalf of the Government of the United Republic of Tanzania would like to hire the services of reputable firms with worldwide networks to carry out pre-shipment inspection in respect of imports into Tanzania. The duration of the contract will be three years renewable subject to mutual agreement. The Companies to be selected will also be required to carry out customs tariff verification in respect of all imports into Tanzania for tax purposes. In addition the Companies will be mandated to carry out export evaluation for a selected number of commodities/products. The list of the export items will be agreed upon at the time of conducting the contracts. Companies interested in providing such services, are hereby invited to submit their proposals. The proposals incorporating the following information should be furnished to the Bank of Tanazania and should reach the Bank not later than Wednesday 22, November 1989 at 12.00 noon.

INFORMATION REQUIRED

1. Name and address
2. List of Directors and Share holders with a controlling interest
3. The Company's Bankers
4. List of countries in which the company has offices or affiliates
5. Briefly indicate scope of intervention such as inspection of general cargo, fertilisers, pharmaceutical, etc
6. Indicate fees/charges per transaction.
7. Indicate the Company's or its Directors' interests in such areas as banking, insurance, shipping, warehousing and inland trucking.
8. Indicate whether apart from trips and seminars, your company would be able to draw up a comprehensive training programme for BOT staff and Treasury Officials handling matters pertaining to per-shipment inspection.
9. Please note that successful companies will be required to submit periodically, among other things the following reports to the Bank of Tanzania and/or Ministry of Finance.

i) Number of EXCI issues and their values
ii) Repatriatable Commissions due to parties in Tanzania, Kenya and any other third country
iii) Data on savings on Non-negotiable Report of Findings
iv) Value of corrected quality and quantity discrepancies
v) Visible price reductions/savings in foreign exchange
vi) Major categories of supply
vii) Major currencies utilised
viii) Comparative analysis of Job values by categories of goods and countries of origin
ix) Suppliers who consistently over invoice and other discrepancies
x) Importers whose consignments always reveal over-invoicing

The Format of the EXCI
i) Country of the EXCI
ii) Name and address of supplier
iii) Name and address of importer
iv) Description of goods
v) Shipping details
vi) Sellers Pro-forma Invoice
vii) Sellers final invoice
viii) Accepted Price
ix) Any remarks i.e. in case of pharmaceutical products and fertilizers dates of manufacture and expiry should be shown.

10. Indicate number of days on the average it takes to carry out inspection.
11. Indicate if the Company or its affiliates has contracts with foreign Governments which include amoung other things carrying out pre-shipment inspection services on their behalf in respect of goods exported by Tanzania.
12. Indicate the countries in which the company has existing agreements.

All submissions should be made to:
The Governor,
Bank of Tanzania,
P.O. Box 2939,
DAR ES SALAAM

INTERNATIONAL COMPANIES AND FINANCE

News Corp profits slashed by 58%

By Chris Sherwell in Sydney

MR RUPERT Murdoch's News Corporation has seen first quarter profits slashed by more than half, thanks to the costs of Sky Television in the UK, the Australian pilots' dispute and sharply higher interest costs.

Figures released yesterday dramatically fulfilled Mr Murdoch's prediction at last month's annual meeting that earnings this year would "not have their customary increase."

They showed equity-accounted after-tax profits for the three months to September 30 of A$37.6m (US$29.6m), down 58 per cent on the A$90m reported for the same period last year. Including extraordinary items, the figure was 77 per cent lower than the previous year's A$166.6m.

An accompanying statement blamed trading results at Sky Television – which were only included from September 1 and are therefore presumed to show heavy losses – and interest payments of A$236m, up sharply from A$153m because of higher borrowings and interest rates.

It also cited the impact of the Australian pilots' dispute on Ansett, the airline News Corp owns jointly with TNT, the transport group, which has already reported a first-quarter profit slide for the same reason.

Nevertheless, group revenues rose 24.5 per cent to A$1.98bn, yielding profits before interest and tax of A$327.7m, up a substantial 37 per cent.

Practically all the increase in both figures came from the US, where the results of TV Guide, Daily Racing Form, Seventeen magazine and the group's free standing insert division were included for the first time.

News Corp also reported "very satisfactory" first-quarter results from its US television stations, particularly in New York and Los Angeles. Results of Fox Broadcasting Company "continue to be encouraging," the group said.

Regarding the UK, News Corp said Sky's results offset a slight improvement from its newspaper division, but added that it was "encouraged by the high level of viewer interest in Sky Television and growing dish penetration."

Operating profits from Australia and Hong Kong, where News Corp has extensive newspaper interests, were described as "satisfactory." The figures showed static profits before interest and tax, but on reduced turnover.

Sears to lease Tower after sale plan fails

By Anatole Kaletsky in New York

SEARS, ROEBUCK, the retailing and financial services group, said yesterday it was to raise an $815m mortgage on the Sears Tower, its headquarters building in Chicago.

The deal confirmed Sears' failure to find an outright buyer for the tower after a year-long search, and leaves the company with the daunting task of finding tenants for 1.5m square feet of prime office space in a poor real estate market.

Sears had hoped to secure at least $1bn for its 110-storey tower – the world's tallest building. When it announced the sale last October some Wall Street analysts speculated that Japanese investors would pay as much as $1.5bn to own Chicago's most celebrated structure.

In fact, several Japanese buyers expressed interest but none bid formally. Strong rumours circulated this year that potential Japanese bidders had been warned off by their Ministry of Finance, for fear that Japanese ownership of such a prominent US architectural symbol could ferment further economic nationalism in the mid-West.

The best non-Japanese offer was of about $1bn from Canada's Olympia & York Developments, but that fell through.

Under the deal announced yesterday, Sears will receive net proceeds of $815m from a mortgage financing arranged by Aldrich, Eastman & Waltch, a Boston-based real estate consultancy which represents numerous pension fund investors.

AEW will also receive an option to purchase the tower within the next 15 years. Under the option terms Sears will share in any appreciation of the property.

The decision to mortgage rather than sell the headquarters does not affect Sears' plan, announced a year ago, to relocate the 6,000 employees now using the building.

Toys 'R' Us plans shops as sales rise

By Karen Zagor in New York

TOYS "R" US, the US toy-shop chain, yesterday reported a moderate increase in third quarter earnings and sales.

Mr Charles Lazarus, chairman, said the company was pleased with the results, since they compare with a very strong 1988 quarter.

Net income for the three months ended October 29 advanced 11 per cent to $28.7m from $25.8m a year earlier, while earnings per share improved to 15 cents from 13 cents the previous year.

Last year's results included an extraordinary pre-tax gain of $2m.

Sales were up 18 per cent to $916.2m from $776.8m in the third quarter of 1988.

For the first nine months, net earnings were $79.3m or 41 cents a share, compared with $71.4m or 36 cents the previous year. Sales advanced 17 per cent to $2.46bn from $2.11bn.

The Partamus, New Jersey company, which claims to be the largest speciality toy retail chain in the world, says it will open 70 to 75 toy stores and 25 to 30 children's clothing stores next year.

By the end of 1989, the company will be operating 404 toy stores in the US and 74 overseas, and 137 children's clothing shops.

Dresser in bid for oil business

By James Buchan in New York

DRESSER Industries, the Dallas-based engineering group, announced yesterday that it would offer nearly $440m in cash and shares to buy Smith International, an oilfield services company based in Houston.

The deal, if approved by Dresser's stockholders and Washington anti-trust authorities, marks a new stage in the consolidation of the Texas and Oklahoma oilfield services industry in the face of continued weak demand.

US drilling activity has been depressed since the collapse of crude oil prices in 1986. According to Baker Hughes, another Houston oil service company, drilling has picked up since early summer, but the average number of rotary rigs working at any one time in the US this year will probably be about 870, down from last year's 936.

Under the terms of the deal, which has been accepted by Smith's outside directors and its leading stockholder, Dresser will offer $14.25 in cash for each Smith share and a warrant to buy stock in itself. Dresser is also buying out preferred stock and warrants issued by Smith with cash and securities.

Yesterday's agreement is the last stage in an industry-wide auction for Smith, set in train by its leading stockholder, Industrial Equity (Pacific), an investment company run by the New Zealand businessman Sir Ron Brierley. Industrial Equity, which owns 32.3 per cent of Smith, offered to buy the company itself in May, prompting the outside directors to stage a full-scale auction.

Industrial Equity has agreed to sell its shares to Dresser.

But the takeover is likely to face anti-trust scrutiny by the Justice Department. Smith, which was made bankrupt by the collapse of oil prices, enjoyed revenues last year of $320.8m from supply of downhole drilling equipment and services.

Dresser derives about $1bn in sales from oilfield service.

New supercomputer venture on rocks

By Louise Kehoe in San Francisco

EVANS & Sutherland, a US company which announced its entry into the market for high performance supercomputers five months ago, said yesterday it will scrap the project within two months unless it can find a buyer or partner.

The company has had problems with the hardware and software for its ES-1 supercomputer, which could take several months to correct.

It said that, if the supercomputer project were terminated, it would take a write-off of up to $14m, including the costs of closing the operation.

E&S added that recent introductions of other high performance computers by companies such as Digital Equipment had reduced the competitive advantage it had hoped to gain with its supercomputer.

The company adopted a novel approach to creating its first supercomputer. The computer shares tasks between several processor units to achieve a performance equivalent to that of other supercomputers at about half the price.

E&S's difficulties represent a setback for US efforts to maintain leadership in supercomputing technology in the face of competition from Japan.

Mr Rodney Rougelot, president of E&S, said the decision to drop out of the supercomputer market would not affect the company's other operations. It is a leader in the market for high performance graphics systems.

During the first three quarters of 1989 the expenses of the supercomputer activity reduced earnings by 93 cents per share, the company said.

Recently E&S reported earnings of $7.7m or 66 cents per share for the first nine months of 1989, against a loss of $331,000 in the same period last year.

Sea Containers third-quarter net rises 19%

By Andrew Hill

SEA Containers, the ferry and container group fighting a hostile Anglo-Swedish bid, increased third-quarter net earnings by 19 per cent to $73.8m against $61.9m in the equivalent period.

The group, which owns Sealink British Ferries, also announced it would unveil redevelopment plans for land it owns in the port of Harwich on the east coast of England on November 24. A month ago the company revealed a £100m ($157m) plan to develop Folkestone harbour.

Revenue from container rental and sales rose from $56.9m to $74m in the quarter to September 30, and Sealink revenue increased to $274m from $234m the previous year. Fully diluted earnings were up from $4.18 a share to $5.77.

In the nine-month period, net earnings rose from $60.1m to $87m, excluding $40m of exceptional property gains.

Since May, Sea Containers has been fighting a hostile $1.02bn bid from Stena, a Swedish ferry operator, and Tiphook, a UK container rental group.

The company plans to sell $1.1bn worth of assets and offer $70 a share for its own equity, compared with $63 a share offered by Stena and Tiphook.

Data General's president steps down

By Roderick Oram in New York

MR Edson de Castro, president of Data General since helping to establish it 21 years ago, has stepped down as chief executive of the minicomputer maker which is fighting to reverse a decline in its fortunes.

The Massachusetts company said yesterday Mr Ronald Skates, executive vice president and chief operating officer, will succeed Mr de Castro as president and chief executive.

Mr de Castro, a distinguished computer designer earlier in his career, will become chairman and chief scientist, roles which will allow him to concentrate on the company's strategic direction, Data General said.

Mr Herbert Richman, another of the five people who founded the company in 1968, remains in overall charge of the company's sales but will report to Mr Skates. Mr Richman, brought back from semi-retirement two years ago as an executive vice president, becomes vice chairman.

The company has weathered serious downturns but none perhaps as crucial as it faces now. It is trying to add to its range computers that use the Unix industry standard operating system.

It had built its fortunes on machines using a proprietary system but that segment of the market is falling out of favour with customers who want the benefits of an open system.

Data General introduced its first Unix machines in February, well behind other manufacturers such as Unisys. It recently reported strong initial sales of those computers and its latest proprietary MV/40000 superminicomputer.

But it also announced an $80m restructuring charge for closing several factories and shedding some 15 per cent of its workforce.

The charge left it with a net loss of $84.1m, or $2.86 a share, for the fiscal fourth quarter ended September 30.

Newsprint arm halts Quebecor

QUEBECOR, the publishing group that is buying Maxwell Communication's US printing business for US$265m, suffered a decline in third-quarter and nine-month profits, writes Robert Gibbens from Montreal.

This was due mainly to a smaller contribution from Donohue, a large newsprint producer jointly owned by Quebecor and Maxwell.

Newsprint has been under strong price pressure and the Canadian dollar has risen about 10 per cent this year, reducing Canadian producers' profits on their US sales.

Quebecor's third quarter profit was C$5.4m (US$4.6m) or 23 cents a share, down from $7m or 38 cents a year earlier. At the nine-month stage profits dropped to $18.3m or 78 cents, from $23.9m or $1.29 a year earlier, on revenues of $1.3bn, up 34 per cent.

Japan to relax rules on takeovers

By Michiyo Nakamoto in Tokyo

JAPAN'S MINISTRY of Finance is moving to counter foreign criticism of its restrictive regulations on takeover bids by introducing changes to bring them more in line with international practice.

Existing Japanese rules on takeovers, which are far more restrictive than those in the US or the UK, have been criticised, notably by the US, as constituting a barrier to foreign acquisitions of Japanese companies. With an ever-increasing number of Japanese firms making bigger and flashier acquisitions abroad, the Japanese Government is under considerable pressure to relax any rules that may hinder foreign investment in Japan.

A Ministry official stated that the three main changes that it plans to submit to the Diet (Parliament) next spring would:

- Abolish the existing rule that requires a bidder to register his bid with the Ministry 10 days before the bid is made. The bidder will instead be required to place an advertisement in a newspaper and register his bid with the ministry on the day the bid is launched;
- Extend the number of days over which a takeover bid can take place from the present maximum of 30 days. Although a specific length has not been set, the ministry was looking at Britain's maximum period of 60 days as a guideline; and
- Abolish the rule that requires a bidder to buy shares through a representative and allow them to buy the shares for themselves directly.

Under present takeover rules a bidder must file a notice with the finance ministry 10 days in advance and may buy the targeted company's shares only through a representative securities firm.

The timespan allowed for the bid, from a minimum of 20 days to a maximum of 30 days, is also much shorter than the maximum of 60 days allowed in Britain, while the US has no restrictions on the maximum number of days allowed.

As in other countries, foreign bidders will still be required to bid through a representative in Japan, although this could be a lawyer rather than a securities firm or bank.

Mr Haruo Matsuda, deputy director of the finance ministry's Corporation Finance Division, said that even within the ministry, criticism of the existing rules had been voiced in the past and that the ministry was taking quick action so that, at least in terms of legal barriers, Japan will not be seen as any more closed than other countries.

The change in rules, however, is hardly likely to bring about a sudden rise in takeovers of Japanese companies by either foreigners or Japanese. Even with relaxed rules, Japanese corporate customs, such as mutual shareholdings, make it extremely difficult for a hostile takeover bid to succeed.

"Back in 1971, when the original takeover bid rules were implemented, people thought this would lead to a rash of takeovers," recalls Mr Matsuda. Previously, although there were no rules restricting takeover bids, none had taken place. In the more than 20 years since the rules were implemented, there have been only two takeover bids in Japan, including one by a US company.

NCSC welcomes vote by Qintex shareholders

By Chris Sherwell in Sydney

THE NATIONAL Companies and Securities Commission (NCSC), Australia's share market watchdog, yesterday welcomed an announcement by the besieged Qintex group that a controversial fee-payment scheme to its senior executives would be put before shareholders.

Mr Christopher Skase, who heads the ailing media and resorts group, announced the move on Tuesday night.

Coincidentally on the same day, the group's biggest bank lenders received details of an independent investigation into its finances being carried out by Mr David Crawford of accountants Peat Marwick Hungerford.

Details of the fee-payment scheme emerged last month. Since August 1988 payments totalling A$42m (US$33m) have been made by Qintex to a company controlled by Mr Skase and his senior executives for management and other services. Some payments led to the resignation of two independent directors.

Mr Henry Bosch, head of the NCSC, suggested last week that the payments were "probably illegal," a comment which attracted criticism and provoked demands that the NCSC should test its claim in court.

Mr Skase's announcement and the NCSC's reaction indicates a way has been found to settle the issue.

Mr Skase insisted in his statement that a shareholders' meeting was not necessary to approve payments which had been sanctioned by independent directors.

He added, though, that placing the matter before them for approval or otherwise was "the fairest and most democratic approach to achieve resolution of the matter."

The NCSC said the decision had come "after contact and co-operation" between itself and the company, and added that the move accorded with its own legal advice.

The NCSC said it would "closely monitor information to be given to Qintex shareholders" to allow them to make a fully informed decision.

NZ Equiticorp and state sued over steel group sale

By Terry Hall in Wellington

NZ EQUITICORP'S statutory managers yesterday filed a NZ$564m (US$331.8) claim against the collapsed group's directors, financiers, advisers and the Government over the 1987 sale of New Zealand Steel, the biggest legal claim in New Zealand history.

The managers listed 17 defendants in the claim filed in the Auckland High Court. Heading the list is Mr Allan Hawkins, Equiticorp Holding's chairman, and Mr Grant Adams, the deputy chairman, the Attorney General, Wellington Finance Company, Elderbank, Auckland law firm Rudd, Watts and Stone and Hong Kong solicitors Denton Hall Burgin and Warrens. Mr Hawkins, Elderbank, Buttle Wilson, and Rudd Watts and Stone say they will vigorously defend the action. Plaintiffs are Equiticorp Industries Group and Equiticorp Holdings.

The case appears to centre on alleged illegal actions which saw Equiticorp fund the purchase of New Zealand Steel by arranging complex deals involving its own subsidiaries, effectively buying shares in itself, which is outlawed by a section of the Companies Act.

In a brief statement Mr Fred Watson, statutory manager, said the claim arose out of the financing provided by companies within the Equiticorp group or a private company called Ararimu Investments to buy two parcels of shares in Equiticorp Holdings.

Mr Watson has refused to give details of the statement of claim and the reason why the defendants were being sued.

In April he said that Ararimu Investments Four, a company linked to an Equiticorp staff share scheme and not just Mr Hawkins, were the buyers of the government shares in New Zealand Steel.

Equiticorp had helped fund the deal along with Elder Finance, now called Elderbank. Elders had been repaid but the Equiticorp companies had not, Mr Watson said.

The 92.9m Equiticorp shares issued to the Government went to Ararimu Investments Four, which transferred them to an employee unit trust.

Adsteam wins control of Industrial Equity

By Chris Sherwell in Sydney

THE ADELAIDE Steamship group, headed by Mr John Spalvins, instantly strengthened its position in Australian retailing, food processing and investment yesterday by winning majority control of Industrial Equity (IEL).

The jump to 51 per cent control came just one day after it launched a bid for the company. Both Brierley Investments, which held 12 per cent of IEL, and Goodman Fielder Wattie, with 19.9 per cent, accepted an increased offer of A$2.30 (US$1.81) per share.

This compares with a A$2.25 bid unveiled on Tuesday by Adsteam and its associates David Jones and Tooth & Co. The new bid, which is equivalent to A$2.35 because shareholders can retain IEL's five cent final dividend, values IEL at A$1.8bn (US$1.41bn).

Yesterday's developments leave Mr Rod Price and Mr Bill Loewenthal, two senior IEL executives, holding 19.9 per cent of IEL through Corama, a company they formed earlier this year with Mr Abe Goldberg, the textile magnate.

Corama had planned a A$2.40 per share management buy-out, but ran into financing snags. The trio must now decide whether to sell the stake, originally bought from Brierley Investments for A$2.40 per share after Sir Ron Brierley decided to sell down its majority interest.

Goodman Fielder Wattie, the Australasian food group which initially bought the stake to launch its own abortive bid for IEL, said yesterday it would use its A$358m proceeds to repay short-term Australian dollar borrowings.

In acquiring IEL, Adsteam will add the Woolworth's retail chain to its existing upmarket David Jones department store group, thereby becoming a strong counter to the powerful Coles Myer combine, which is one of the world's largest retailers outside the US.

On the food processing side Adsteam will acquire IEL's Southern Farmers group, which has dairying, seafood and fresh juice operations, and Acmex, which has vegetable, fertiliser and salt interests. Adsteam already controls significant vegetable, dairy and meat processing operations as well as wineries and pubs.

FVB lifts sales by 14% midway

By Jim Jones in Johannesburg

FEDERALE Volksbeleggings (FVB), the South African investment holding company, lifted sales by 14 per cent in the six months to September 30 as government austerity measures curbed demand for consumer durables and high nominal interest rates cut farmers' purchases of agricultural equipment.

The first half's turnover increased to R1.85bn ($700.8m) from R1.62bn in the corresponding period of 1988, the interim operating profit before interest and tax rose to R162.8m from R134.4m and the interim pre-tax profit was R132.8m against R114m.

In the last financial year turnover totalled R3.37bn, the year's operating profit was R319.9m and the pre-tax profit was R274.8m.

The first half's earnings rose to 35.8 cents a share from 34.8 cents and the interim dividend is unchanged at 8 cents. Last year's full earnings were 85.2 cents and the total dividend was 21 cents.

FVB is controlled by Sanlam, South Africa's second largest life assurer.

INTERNATIONAL CAPITAL MARKETS

Tokyo Electric Power seeks Ecu150m at 9⅝%

By Andrew Freeman

EUROBOND MARKETS lacked direction yesterday. Traders reported improved turnover as European investors committed new funds in search of cheap secondary market paper, but new-issue activity failed to reveal an underlying trend to demand.

INTERNATIONAL BONDS

Paribas Capital Markets continued the recent run of Ecu deals with an Ecu150m seven-year issue for Tokyo Electric Power Company (Tepco). The bonds came with a fat 9⅝ per cent coupon and were priced to offer a yield of 9.65 per cent at less full fees.

Paribas was quoting the paper at less 1⅞ bid, a discount equivalent to full fees. An official said the deal had made a slow start, but was confident it would find demand.

Traders were less circumspect, and said several members of the underwriting group appeared to be selling their bonds back to the lead via the brokers.

They said the bonds looked exceptionally good value and should trade better once the loose paper had been mopped up.

Although Paribas would not comment, there was speculation that the issue proceeds had been swapped into fixed-rate yen by Mitsui Bank, with a separate leg via floating-rate US dollars.

Credit Suisse First Boston reopened the market for corporate borrowers with a $125m five-year deal for Reed Publishing. The bonds were priced at 101.45, but were reoffered at less 1½ (99.95) to yield a huge 105 basis points over Treasuries. In addition to the attractive yield, the bonds offered investors the protection of event-risk language in the covenants attached to the issue prospectus.

CSFB said the paper was well placed with fixed-income investors, and, after the deal broke, syndicate was quoting the bonds at 100.15 bid, inside the implied ⅜ point fees to syndicate members. Traders said the yield was finding demand, but added that there had been a limited amount of asset swapping.

In Germany, late in the session Deutsche Bank brought a DM400m 10-year deal for the European Investment Bank. The bonds carried a 7⅛ per cent coupon and at their quoted trading level of less 1⅛ bid were yielding 7.61 per cent.

An official said there was good initial demand from investors switching out of previous EIB issues into the new bonds for a yield pick-up. Traders said the issue could become a new benchmark for supranational borrowers, but complained that Deutsche Bank had aggressively sold old EIB paper before it launched the new bonds.

Girozentrale Vienna offered its first D-Mark deal since 1981, a DM70m 10-year issue via Bank of Tokyo. The deal is a variation on a drop-lock security: it is a floating-rate instrument for three years, and becomes fixed-rate thereafter if the borrower decides not to call the bonds. The paper was mostly placed with Japanese institutions.

● Daiwa Securities and Goldman Sachs plan a joint venture to market US real-estate-backed securities to Japanese investors, Reuters reports.

Daiwa Real Estate and Goldman will start the venture in early 1990. The two co-operated earlier this month in launching two mutual funds totalling $781m from the Federal National Mortgage Association.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Tokyo Electric Power Co.(a)◆	150	9⅝	101¾	1996	1⅞/1¼	Paribas Capital Markets
US DOLLARS						
Nippon Electric Glass‡	150	(4½)	100	1994	2¼/1½	Daiwa Europe
Reed Publishing(USA)Inc.(a)◆	125	9	101.45	1994	1⅞/1.6	CSFB
Sekisui Plastics Co.‡	100	(3¾)	100	1993	2¼/1½	Nikko Secs. (Europe)
CANADIAN DOLLARS						
LB Rheinland-Pfalz Fin.(b)◆	25	11	101.275	1992	1⅜/⅞	Mitsubishi Finance Int.
D-MARKS						
EIB(a)◆	400	7⅛	100⅞	1999	1¾/1¼	Deutsche Bank
Girozentrale-Vienna(c)◆	70	(c)	102	1999	[illegible]	Bank of Tokyo (Germany)
Aichi Tokei Denki Co.‡	45	1⅞	100	1994	2¼/1½	Deutsche Bank
YEN						
Skopbank(a)◆	10bn	6⅜	101.275	1992	1⅜/⅞	IBJ Int.
Skopbank(d)◆	2.5bn	6.65	100⅞	1990	⅞/½	Toyo Trust Int.

☆☆Private placement. ‡With equity warrants. #Floating rate notes. ◆Final terms. a) Non-callable. b) Fungible March 5 1990 with existing C$75m bond launched in May. Issue price plus accrued interest. c) 40bp over 6-month Libor first 3 years, then fixed coupon of 6⅞%. Call after 3 years at 100. d) Redemption linked to Nikkei stock index.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	104¼	104⅝	+0⅛	+0½	8.38
Austria 9⅛ 93	140	103	103½	+0¼	+0¼	8.44
B.F.C.E. 8⅞ 94	175	99⅝	100	+0⅛	+0⅞	8.39
B.F.C.E. 9¼ 95	150	103⅜	103¾	+0¼	+0⅞	8.45
Brit. Tel. Fin. 9⅝ 98	250	104⅜	104¾	0	+0⅛	8.64
Canada 9 96	1000	103⅞	104⅜	+0¼	+0⅞	8.12
C.C.C.E 9¼ 95	300	103¼	103⅝	+0⅛	+0¼	8.41
C.N.C.A 9⅛ 93	150	102½	103	+0¼	+0⅛	8.50
Credit National 8¼ 93	200	99½	100	+0⅛	+0¼	8.31
Credit National 7⅞ 92	100	97⅞	98⅛	+0⅛	+0½	8.22
Credit National 9½ 92	160	†102⅜	102⅞	+0⅛	+0⅞	8.49
Dai-Ichi Kan 9⅝ 92	150	102½	103	+0⅞	+0¼	8.48
Denmark 8¼ 94	150	†98¾	99¼	+0⅛	+0⅝	8.50
E.E.C. 7 91	100	97⅜	97⅞	+0⅛	+0⅛	8.30
E.E.C. 10 93	140	104⅜	104⅞	+0⅛	+0⅞	8.34
Eurofima 10⅛ 93	100	†104¾	105¼	+0⅛	+0⅛	8.36
Elec. De France 9 98	200	103	103½	+0⅛	+0¼	8.45
Elec. De France 9½ 99	200	105⅝	106	+0¼	+0⅞	8.57
Finland 9 96	250	102⅞	102⅝	+0⅛	+0¼	8.47
Finn.Exp.Cd. 8½ 92	200	100¼	100⅝	+0⅛	+0⅞	8.28
Finn. Exp. Cd. 9¼ 95	200	103⅜	103⅞	+0⅛	+0⅛	8.57
Ford Motor Credit 8 91	250	†98⅞	99¼	0	0	8.75
Gen. Elec. Cap. Corp. 9 93	500	†101⅞	102⅛	+0⅛	+0¼	8.35
Gen. Elec. Cap. Crp. 10 1/2 91	300	102⅛	102½	0	0	8.57
G.M.A.C. 9 96	300	100⅞	101⅛	+0⅛	+0¼	8.75
Gen. Mtrs. Corp. 9⅛ 92	200	101⅞	102	0	+0⅛	8.38
IBM Credit Corp. 8⅝ 92	400	100⅝	101	+0¼	+0⅞	8.28
IBM Credit Corp. 8⅞ 91	250	100½	101	0	0	8.43
IBM Credit Corp. 9 92	250	101½	102	+0⅛	+0¼	8.21
IBM Credit Corp. 9½ 92	250	102	102½	+0⅛	+0¼	8.33
Italy 8½ 94	1500	100¼	100⅝	+0¼	+0¼	8.37
Italy 9½ 95	1000	104½	105	+0¼	+0¼	8.46
Italy 9⅝ 99	1000	106⅛	106⅜	+0¼	+0¼	8.61
Itoh C. W/W 4⅝ 94	1000	110⅝	111⅛	+0½	+7⅝	2.12
Japan Dev. Bank 10 96	200	107¼	107⅝	+0¼	+0¼	8.46
KFW Intl. Fin. 9 94	300	102⅝	103	+0½	+0⅞	8.31
L.T.C.B. of Japan 9¼ 92	200	101⅝	102⅛	+0¼	+0¼	8.50
Metropolis Tokyo 9½ 93	200	103	103½	+0⅛	+0½	8.27
Nippon Tel.&Tel. 9⅝ 98	250	104½	105	+0⅛	+0¼	8.60
Norway 8¾ 93	500	101⅜	101¾	+0⅛	+0¼	8.19
Portugal 8¼ 91	300	†98⅝	99⅛	0	0	9.10
Sumitomo Bank 9⅝ 92	150	†102⅞	103⅛	+0⅛	+0⅞	8.34
Sumitomo Corp. W/W 4 93	1500	†117¼	118¼	0	+3⅝	-0.82
Sweden 8¾ 96	200	101⅝	102	+0⅛	+0⅛	8.37
Sweden 8½ 92	200	†99⅝	100⅛	+0⅛	+0¼	8.53
Toyota 9½ 91	200	102	102½	+0¼	+0¼	8.27
Toyota Mtr.Corp. W/W 4 93	1500	105	106	+0½	+0⅝	2.37
Victorian Rep 11⅝ 92	150	106	106½	+0⅛	+0¼	8.64
World Bank 8⅞ 99	1500	101⅜	101⅝	+0⅛	+0⅝	8.37
World Bank 9 97	300	103	103½	+0¼	+0½	8.40
World Bank 9 93	300	102¼	102½	+0⅛	+0⅞	8.19
World Bank 9¼ 98	300	104½	104⅞	+0⅜	+0½	8.47
World Bank 9⅝ 99	500	106⅞	107⅛	+0¼	+0⅝	8.49
World Bank 9¾ 96	300	106⅛	106⅝	+0⅛	+0¼	8.44

Average price change... On day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	91⅞	92½	0	-0⅝	7.93
Austria 6¾ 99	750	94⅛	94⅝	+0¼	-1⅞	7.58
Bk. Frgn. Econ. USSR 7 96	750	†93½	94½	0	-0⅝	8.23
Bank of Tokyo 5¾ 93	100	93¼	93⅝	+0⅛	-0⅝	8.11
Commerzbank o/s. 5⅞ 93	300	93⅜	93⅞	0	-0⅝	7.72
Credit Foncier 6¾ 99	500	94⅛	94⅝	+0¼	-1	8.66
E.I.B. 6¼ 99	600	91	91⅝	+0¼	-0½	7.60
E.I.B. 6½ 99	300	93	93⅜	+0¼	-0⅝	7.51
E.I.B. 6⅝ 96	600	95	95⅝	+0¼	-0½	7.58
E.I.B. 6⅞ 95	300	96⅛	96⅞	+0¼	-0⅝	7.62
Euro.Coal& Steel 5⅞ 97	175	89⅝	90⅜	-0¼	-0⅝	7.72
Eurofima 6¼ 96	100	92⅛	92⅞	-0⅛	-0½	7.73
Elec De France 5¾ 97	300	89⅛	89⅞	-0¼	-1⅞	7.61
Hydro-Quebec 6¾ 99	300	93⅞	94⅝	0	-0⅞	7.62
Japan Dev. Bk. 5⅞ 95	300	90	90⅜	+0⅛	+0⅛	7.59
Japan Finance 5¾ 97	100	89⅛	89⅝	+0⅛	-0½	7.68
I.A.D.B. 7¼ 99	300	98⅛	98⅜	+0¼	-0⅛	7.46
Ireland 6½ 97	300	92	92½	0	-0¼	7.90
Ireland 7¼ 99	500	95⅞	96½	0	-0⅝	7.81
Malaysia 6¼ 94	150	88⅛	88⅞	-0½	-4½	9.41
Nat. West BK. PLC 6 98	300	88⅝	89⅛	-0⅛	-0¼	7.86
N.H.L. Finance 6¼ 95	200	†92⅜	92⅞	-0⅛	+0⅞	7.84
Nippon Telg.&Tel. 6 95	400	92¾	93½	0	-0½	6.57
Oesters. Kontbk. 5 93	300	93	93⅝	+0⅛	0	7.38
Portugal 5¾ 92	150	95⅝	96⅛	0	+0⅞	7.52
Portugal 6⅛ 95	150	95⅝	96⅜	-0⅛	0	7.50
Privatbanken 5¼ 93	150	91⅝	92⅜	0	-0⅝	8.10
Royal Insurance 5⅞ 92	300	94⅛	94¾	0	-0¼	8.09
Turkey 6½ 95	500	91⅞	92⅛	-0⅞	-0⅝	8.42
Union Bk.Finland 5½ 94	200	91¼	91⅞	0	-0⅞	7.96
World Bank 6 98	500	89½	90⅜	+0¼	-0⅞	7.60
World BK. 6¼ 97	600	91⅞	92⅜	-0⅝	-0⅝	8.36
World Bank 6¾ 99	600	94	94⅜	+0⅛	-1	7.60

Average price change... On day +0 on week -0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†90½	91	0	-0¼	6.75
Asfinag 5 03	100	†85	87	+0⅞	0	6.57
B.F.C.E. 4½ 98	200	†86½	87	-1¼	-1	6.55
B.M.W.Fin.Neth. 5 13	150	†84	85	0	-0½	6.28
Britannia B/S. 4¾ 94	100	†84	84¼	-2½	-3¾	8.58
CIR. Int. W/W 3 93	125	*†88½	90	0	+1¼	6.36
Credit Lyonnais 4¾ 00	100	†86	86½	-0¼	+0¼	6.60
E.I.B 4⅞ 98	150	†88	90	-0½	-0⅝	6.32
Finn. Exp. Cd. 8¾ 92	75	†100¼	100¾	+0¼	-0⅛	8.04
Fletcher Chall. 4⅞ 98	150	†84	86	-0¼	-0¼	7.32
I.A.D.B. 6 2004	200	†96¾	97½	-0⅛	-0¼	6.30
Kobe City 4⅝ 98	150	†88	88¾	+0⅛	-0⅞	6.41
Leeds Perm. B/S. 4⅛ 93	200	†89	90	+0⅛	-0⅛	7.73
Malaysia 5¼ 98	100	†84	85	0	+0⅞	7.77
Maxwell Comm.Crp. 5 95	150	†78	78¼	-0⅞	+1½	10.33
Nat. Bk. Hungary 5½ 94	75	†87½	90	-0¼	+0¼	8.29
Nationwide Ang. B/S. 4 93	200	†89	90	-0¼	-0¼	7.43
Prov. Newfoundland 5 03	150	†86½	87	+0⅝	-0⅞	6.46
Thailand 4⅝ 95	200	†86	87	-0½	0	7.65
World Bank 5 03	150	†86½	87½	0	+0¼	6.45

Average price change... On day -0¼ on week -0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100	100¼	+0⅛	+0⅛	5.99
Canada 5⅝ 93	80	98½	98¾	+0⅛	-0⅛	6.04
Eurofima 5 1995	20	95¼	95⅝	+0¼	-0¼	6.02
E.I.B. 4⅞ 93	30	96⅜	96⅝	+0¼	0	6.07
Ireland 5⅛ 93	30	96⅛	96¼	+0¼	-0⅛	6.23
Norway 5⅛ 95	50	96½	96¾	+0¼	-0⅛	5.87
Sweden 4⅝ 93	50	95¼	95¾	+0¼	-0⅛	6.04
World Bank 5⅛ 96	10	94½	95¼	+0¼	0	5.94
World Bank 7 94	20	103⅝	104⅛	+0⅛	-0⅛	5.97

Average price change... On day +0¼ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	98⅛	98⅝	+0⅛	+0⅝	10.68
Abbey Nat. 11⅝ 95 £	100	96¼	96¾	-0⅛	-0¼	12.55
Aegon 7⅞ 92 FL	100	97½	100⅛	0	-0⅞	7.92
Alg. Bk. Ned. 5⅞ 93 FL	200	93⅛	93⅝	0	0	8.08
Austria 7½ 94 ECU	100	93⅞	94¼	+0¼	+0¼	9.21
Bk. Nova Scot. 14⅛ 90 A$	75	†96¾	97¾	-0¼	+0¼	17.53
Barclays Aus. 13½ 91 A$	100	96⅞	97⅛	+0⅛	+0⅞	15.54
Belgium 8⅞ 94 Ecu	150	95⅞	96⅞	+0⅛	0	9.24
BP Capital 9¾ 93 £	100	92⅛	92⅝	-0⅛	0	12.59
British Airways 10 98 £	100	89⅝	90⅛	-0⅛	+0¼	11.97
Brit. Telecom 9½ 93 £	150	92	92½	0	0	12.44
Comm. Bk. Aust. 12⅝ 93 A$	100	†92⅞	93⅜	0	+0⅞	15.20
Comm. Bk. Aus. 13¾ 94 NZ$	60	104¼	105¼	0	0	12.33
Credit Foncier 9 96 Ecu	100	98½	99⅛	+0⅛	+0⅛	9.24
Cr. Local France 9¼ 92 Ecu	100	†99½	100	+0⅛	+0⅛	9.32
Dest. Bk. Aus. 13¾ 93 A$	125	95⅝	96	0	+0¼	14.87
Deutsche Bk. Fin. 15 94 A$	100	101⅞	102⅞	+0⅞	+0⅝	14.28
E.I.B. 7 96 LFr	100	†95	96	+0¼	-0¼	7.94
E.I.B. 7⅛ 99 FL	150	94½	95	-0⅞	-0⅝	7.91
E.I.B. 9 99 Ecu	150	†98⅞	99⅜	-0⅞	-0⅞	9.13
Eurofima 7⅝ 94 Ecu	100	94¼	94⅝	+0¼	+0¼	9.28
Export Dv. Grp. 8¾ 92 Ecu	100	98⅜	99	+0⅞	+0⅛	9.36
Fed. Bus. Dv. Bk. 9 94 Ecu	100	†98¼	98¾	+0¼	+0¼	9.39
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†98¼	98¾	+0¼	+0¼	10.39
Fed. Bus. Dv. Bk. 10½ 93 C$	50	†99⅞	100¼	+0¼	+0⅞	10.50
Ferr. Stato 7¾ 93 Ecu	100	94⅛	94⅝	+0⅛	-0⅞	9.62
Ford Cr. Can. 10¾ 93 C$	100	†100	100½	+0¼	+0⅞	10.62
Ford Cred. Can. 10⅞ 96 C$	125	100⅞	101⅜	+0⅛	+0¼	10.59
Ford Cred. Fund. 10¾ 93 £	60	94¼	94⅞	0	+0⅛	12.58
G.M.A.C. Canada 11 3/4 94 C$	100	103½	104	+0⅞	+0½	10.60
Heineken 7⅝ 94 FL	150	100⅞	101⅜	+0⅛	0	7.68
Hydro-Quebec 11 99 C$	400	103½	103¾	+0⅛	+0½	10.35
Lloyds Bank 10¼ 98 £	150	90½	91	-0⅛	+0⅛	12.04
Lloyds Bank 11⅝ 98 £	100	93½	94⅛	+0⅛	+0¼	12.53
Montreal Tst. 10¾ 93 C$	100	†98⅞	99⅜	+0¼	+0⅝	11.01
Nat. Aus. Bk. 14¾ 94 A$	100	98⅛	98⅝	0	+0⅞	15.23
New Zealand 9½ 93 £	100	90⅞	91⅛	-0⅛	0	12.78
O.E.K.B. 10¼ 99 C$	150	100	100⅝	+0⅛	+0½	10.21
Privatbanken 7½ 94 LFr	500	†97	98	+0⅞	0	8.19
Royal Bk. Scot. 10⅞ 98 £	125	92⅝	93⅛	-0⅛	+0⅞	12.05
Saskatchewan 9⅞ 91 C$	150	†98¼	98¾	+0¼	+0¼	10.82
Saskatchewan 10¼ 93 C$	200	99⅜	99⅞	+0⅛	+0¼	10.57
State Bk. NSW. 15⅞ 93 A$	100	95⅞	96	0	+0⅞	15.39
Sweden 7½ 93 Ecu	250	94¾	95¼	+0⅞	+0⅞	9.12
Sweden 15 94 A$	100	101⅞	102⅜	-0⅛	+0¼	14.28
Toyota Mtr. Cr. 11⅛ 92 C$	150	101⅞	102	0	+0¼	10.54
World Bank 7⅛ 99 FL	300	94½	95	-0⅞	-0⅞	7.92
World Bank 13⅞ 92 A$	100	98⅞	99⅝	+0¼	+1¼	13.70
World Bank 14¼ 94 A$	75	99	99½	0	+0⅞	14.43
Zentrspk. 13¼ 93 A$	75	†95¼	95¾	-0⅛	-0⅞	14.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.81	99.86	24/01	15.21
Bank of Greece 99 US	0¼	99.75	99.84	8/03	9¼
Belgium 91 US	0	100.21	100.31	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.78	99.83	30/11	14.06
Credit Foncier 98 US	.063	99.92	100.02	20/04	8.31
Dresdner Finance 99 DM	.031	99.91	100.01	28/01	8.16
EEC 3 92 DM	0	100.02	100.12	22/02	6¾
Halifax BS 94 £	.1	100.12	100.17	9/02	16.16
Invt. in Industry 94 £	0⅛	99.97	100.07	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.08	100.13	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.82	99.87	29/12	14.94
New Zealand 5 97 £	.07	100.02	100.12	18/11	13.19
Northern Rock 92 £	0½	99.89	99.94	20/01	5⅛
State Bk. Nsw. 98 US	.188	100.11	100.21	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.96	100.00	15/01	15.37
Woolwich 5 95 £	0⅛	99.90	99.95	21/11	14.06

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	82	113¾	114¾	0	3.45
Amer. Brands 7¼ 02 US	9/87	56.7	120¾	121¾	0	-0.72
CBS. Inc. 5 02 US	4/87	288	102¼	103¾	-0¼	3.44
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486	98¼	99¼	+0¼	6.77
Primerica 5½ 02 US	4/87	66.75	73¾	74¾	0	76.87
Eng. China Clay 6½ 03 £	9/88	4.8	87¾	88¾	0	4.41
Fujitsu 3 99 US	5/84	1106	207¾	208¾	+0¾	-1.11
Ladbroke 5½ 04 £	6/89	7.1	99⅝	100⅝	0	136.96
Land Secs. 6¾ 02 £	6/87	6.72	85⅝	86⅝	0	9.61
Minolta Camera 2¼ 94 DM	2/86	1084	106⅝	107⅝	-1¾	6.38
MCA Inc 5¼ 02 US	9/87	69.62	103⅞	104⅞	-0¼	10.11
Mitsubishi Bk. 3½ 04 US	9/89	3864	92⅛	93⅛	+0⅛	3.33
Next Plc 5½ 03 £	11/87	4.3	95¼	96¼	0	348.11
Nikki Mgt. Bk. 2⅞ 03 US	4/88	884	129⅞	130⅞	+0⅛	1.28
Omnicom Inc. 6 1/2% 04 US	10/89	28	102⅞	103⅞	0	17.57
Omron Tateisi 2¾ 02 US	4/87	1318	280¼	281¼	-1¾	-0.56
Ranks Hovis 4¾ 03 £	1/88	3.5	120¼	121¼	+0⅝	-1.26
Redland 7¼ 02 £	1/87	5.4	101	102	+0⅛	2.64
Saatchi&Sachi 6¾ 03 £	10/89	4.41	92	93	0	32.59
Silicon Graphics 8 04 US	6/89	23.18	111¼	112¼	-0⅞	16.29
Sumitomo Bank 3¼ 04 US	2/89	3697	82¼	83¼	+0⅝	5.91
Texas Inst. 2¾ 02 US	9/87	82.87	75⅜	76⅜	-0¼	149.60
Old. N'papers 8 04 £	10/89	8.77	108¾	109¾	-0¼	105.05
W.R. Grace 6¼ 02 US	9/87	42.12	90⅝	91⅝	+0⅛	29.03

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

John Langton

AIBD puts new man at the helm

By Andrew Freeman

IN A SURPRISE MOVE, the Association of International Bond Dealers (AIBD) has appointed Mr John Langton as new chief executive and secretary general with effect from January 1 next year. Mr Langton will also be the chairman of AIBD systems, the London operating company which manages the Trax trade matching and reporting system.

Mr Jan Ekman, AIBD chairman, said: "The AIBD board is delighted to have secured the services of such a senior and respected professional from the Euromarkets. We look forward to an orderly transition at the end of December."

Mr Langton is currently managing director of the London-based inter-dealer broking firm Gintel, a position he has held for three years. He has been an active member of the AIBD, sitting on the main board since 1981.

In 1988 he joined the executive committee, and in May this year was elected as vice-chairman. He is also deputy treasurer of the Trax committee and deputy chairman of the market practices committee.

The appointment of a new chief executive was not expected to be completed for several months following the abrupt departure in July of the previous incumbent, Mr Hans Peter Frick. Mr Frick was in office for just six weeks, and his resignation was seen as a significant blow to the AIBD's attempt to strengthen its executive arm.

The need for order and leadership at the top of the AIBD has never been more apparent in its 21-year history. Following Mr Frick's resignation, Mr Erwin Flückiger, the AIBD's finance director, resigned last month, and it appeared the management structure of the association was in chaos.

Under the UK Financial Services Act, the AIBD is a designated investment exchange and the attention of UK regulatory authorities was said to have been drawn to the problems among its executive staff.

At its annual conference in Vienna in May, the AIBD announced elaborate plans to create a strong secretariat of paid professionals to run the executive functions of the association.

Board members are unpaid, and it was agreed that a more formal management structure under a chief executive was needed to run the day-to-day business of the association. However, since Mr Frick announced his departure those plans have been on hold.

RBC Dominion forecasts profit for its first year

By David Lascelles, Banking Editor

RBC Dominion Securities International, the London-based international investment banking arm of the Royal Bank of Canada, will report a profit for its first year of operation, according to its chairman, Mr John Sanders.

Mr Sanders said yesterday that the year, which ended on September 30, would show a return on capital of about 40 per cent before tax and the payment of bonuses. He declined to give precise figures, but said that all parts of the business - broking, market making, North American equities, Eurobonds and corporate finance - had been profitable, though at varying levels.

RBCDSI was formed out of the Orion Royal Bank, Dominion Securities, and Kitcat & Aitken, the London stockbrokers acquired by the Royal Bank at the time of Big Bang in 1986. It employs 330 people of which 220 work in London. It also has offices in continental Europe and the Far East.

Mr Sanders said RBCDSI had drawn on the Royal group's strong domestic base in Canada to generate trans-Atlantic corporate finance deals and securities business. But the London-based Kitcat operation had also increased its share of the broking business by concentrating on areas where it had expertise such as transport.

Costs had been kept under tight control, and the group had preserved stability at a time of upheaval for London-based houses in general.

INTERNATIONAL CAPITAL MARKETS

London gilts react coolly to Chancellor's statement

By Rachel Johnson in London and Janet Bush in New York

THE UK government bond market decided the Autumn Statement was not positive for gilts, and seized on one figure as signalling bad news before moving lower by about ¾ point at the close after a relatively motionless day.

GOVERNMENT BONDS

This was the announcement that the spending "overrun" for 1990-1991 would total £5.5bn. The revision upward was viewed as a sharp unexpected increase by the market. Some, however, were softening the figure's impact with inflationary adjustments using deflators.

Mr Stephen Hannah, economist at NatWest Gilts, said: "The aggregate to focus on is £5.5bn." None the less, strong tax receipts following higher wage settlements and the unlikely prospect of further income tax cuts in the budget could offset the rise in public spending, he indicated.

The budget surplus would remain broadly in line with what had been announced in the last Budget. But the public sector debt requirement, which had been causing the contraction in the gilts market, had "peaked." The statement proposed a repayment of £12bn for 1991, and a further decline in repayments early in the 1990s looks likely. "When we have a PSDR of around £7bn, then we might see the Bank issuing gilts again," said Mr Hannah.

This did not impress the gilts market. One trader pointed out: "Nobody would be persuaded to buy gilts on the back of this budget." In spite of Mr Major's belief that slowing in growth did not herald any recession, the outlook for high inflation – and high interest rates for gilts to compete with – depressed the market.

■ US Treasury bonds moved modestly higher yesterday morning as traders continued to react to the weak economic data published on Tuesday and displayed some relief that the quarterly refunding had been negotiated successfully.

At mid-session, the benchmark long bond was quoted ¼ point higher for a yield of 7.86 per cent.

The market had been reluctant to react to soft industrial production, retail sales and capacity utilisation figures released on Tuesday morning ahead of the 30-year auction, the last in the refunding. The modest price gains yesterday morning appeared to be a delayed response.

Opinion on how the auctions went was fairly mixed. There was a general feeling that the long-bond auction had been a touch disappointing. Overall, however, traders were encouraged that demand from Tokyo was, if anything, better than expected in the weeks running up to the auctions when yields did not look particularly attractive.

There is no doubt that the easing by the US Federal Reserve last week helped sentiment at the auctions.

The entire $30bn refunding and $10bn in cash management bills were due to settle yesterday and this put upward pressure on Fed funds.

The Fed's lack of open market intervention on Tuesday to drain reserves in spite of a soft Fed funds rate was seen by some as a hint that the Fed might tolerate funds as low as 8⅝ per cent. Other bond analysts, however, said the Fed's lack of draining was in anticipation of the upward pressure on the funds rate yesterday.

Fed funds opened yesterday at 8⅝ per cent before slipping a little at mid-session to 8½ per cent.

US business inventories for September rose 0.2 per cent compared with expectations of a 0.1 per cent gain. The next key economic release is today's September trade balance which is expected to be a deficit of $9bn to $9.5bn compared with August's $10.8bn shortfall.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-17	-5/32	11.57	11.53	11.41
		9.750	1/98	96-01	-3/32	10.67	10.62	10.57
		9.000	10/08	93-21	-4/32	9.74	9.71	9.61
US TREASURY *		8.000	8/99	100-27	+7/32	7.87	7.89	7.95
		8.125	8/19	102-30	+9/32	7.87	7.89	7.94
JAPAN	No 111	4.600	6/98	94.8573	+0.388	6.48	6.51	5.26
	No 2	5.700	3/07	101.5953	+0.180	5.52	5.47	5.21
GERMANY		6.750	6/99	95.6000	+0.270	7.40	7.25	7.00
FRANCE	BTAN	8.000	7/94	94.4058	+0.037	9.52	9.53	9.18
	OAT	8.125	5/98	94.6400	-0.120	8.98	8.95	8.78
CANADA *		9.500	10/98	100.3125	-0.188	9.44	9.43	9.48
NETHERLANDS		7.250	7/99	96.8700	+0.110	7.75	7.66	7.42
AUSTRALIA		12.000	7/99	92.8962	-0.161	13.32	13.43	13.61

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Moody's to rate in response to defaults

By Stephen Fidler, Euromarkets Correspondent

MOODY'S, the US rating agency, said yesterday it would respond to recent defaults in the Eurocommercial paper market by rating the short-term paper of international companies whose risk, it believed, was not being properly evaluated.

In June, the agency began assigning "not-prime" ratings to companies which had been issuing "junk" commercial paper in the US market.

It said the latest move came "in response to concerns expressed by market participants after several defaults."

EC amends proposals for capital adequacy

By Richard Waters

THE European Commission's proposals for a capital adequacy directive for securities businesses have been substantially amended in the wake of criticisms from firms based principally in the UK.

The commission's views, which have yet to be published, are only proposals for a draft directive. They shifted significantly after criticism from firms which claimed they would suffer from being forced to carry a heavier capital backing than competitors outside the Community.

An important change is said to be a reduction in the level of capital required, from around 20 per cent of outstanding exposure to 8 per cent.

The Community appears to have accepted the claim, particularly from UK-based businesses, that individual member states should be allowed to grant a reduction for firms which hedge or diversify their portfolios. This would enable member states to override the "de minimis" 8 per cent.

The 8 per cent proposal – echoing the 8 per cent capital backing required of banks under the Basle agreement – is likely to be welcomed in particular by UK firms, which had feared an increase in their capital requirements when the directive comes into force.

Under current UK regulations, securities firms must carry capital equal to between 10 and 25 per cent of their exposure, depending on the volatility and liquidity of the securities in their portfolio. This is reduced for firms which have diversified their portfolios, or otherwise hedged their exposure.

It is understood that West German regulators continue to oppose the commission's proposals. The German system of capital adequacy, comprising a set minimum level of capital for banks involved in the securities business, imposes a higher entry cost on firms than that in the UK.

The commission is expected to refine further its views early next month, leading to a published proposal for a directive by the end of this year.

Election politicking rocks CBT

Deborah Hargreaves on a fight to lead the Chicago futures exchange

The Chicago Board of Trade is being rocked by the city's own Machiavellian-style of politics this week as the incumbent chairman faces a tough challenge to his leadership.

In the close-knit environment of the windy city's futures industry, it has been almost a tradition for exchange leaders to stand unopposed for re-election. But as two challengers have already launched strong campaigns to unseat Mr Karsten "Cash" Mahlmann, the current chairman, the politicking has begun ahead of January's hotly-contested vote.

Mr Mahlmann's decision to stand for a fourth term is unprecedented and his critics believe he is beginning to relish his power. He is known to have reneged on an understanding with Mr Patrick Arbor, deputy chairman, that he would support his bid for the top post.

The disaffected Mr Arbor, who has been at odds with many of the leadership decisions over the past year, has now declined to run for chairman and is instead standing for a directorship which he hopes to lead an effort to renew the exchange's financial futures trading floor.

In a year that has seen the CBT lurch from one crisis into another, Mr Mahlmann's critics say the exchange's public image has deteriorated with each slow response. In the face of the FBI's massive investigation into futures fraud and the soya bean debacle, the CBT has uncharacteristically clammed up.

Some of these issues could be debated at an open meeting today where all candidates will declare their platforms. The meeting has been forced onto the exchange's nominating committee by a petition containing over 700 names organised by Mr Les Rosenthal, the chief contender for the chairmanship.

Mr Rosenthal is an old CBT hand who was chairman of the exchange in 1981-1982 and who has been moved to stand by what he sees as a neglect of domestic exchange issues in the face of the year's controversies. While insisting his style would have been different in handling the crises, he is keen to put the last year events behind.

Les Rosenthal: chief contender for CBT chairman

Mr Rosenthal bases his election campaign on four legs, all of which are aimed at maximising the institution's profitability for its members. One of his most radical ideas is the sale of the CBT's landmark art deco building in Chicago which, industry sources estimate, would net a clear $400m. The money could either be distributed to the membership, ploughed into new technology, or used for the acquisition of a related business, such as a company in information technology, to provide an additional income stream.

Instead of being run as a country club, Mr Rosenthal believes the exchange could be organised along more profitable lines, charging more for the quote information it sells, for instance – a service that currently earns $25m to $30m a year.

Part of the additional revenue could be used to reduce exchange fees, he believes.

The promise of more profit rings sweet in the ears of the CBT's 3,500 members who have become dissatisfied with the exchange's free-spending on new technology. A recent attempt by the board to raise exchange fees for future development was met with such an outcry it was shelved.

The CBT is involved in talks with its rival, the Chicago Mercantile Exchange, on combining their two electronic systems for after-hours futures trading. However, the talks have slowed down and the two exchanges have run into disagreement over who will control a joint system.

The other two legs of Mr Rosenthal's platform include a bid for innovative contracts such as a futures contract on third world debt or electricity as well as the revival of the near-dead concept of linkages with exchanges in other time zones.

Most attempts to link exchanges such as the CBT's bid to forge a link with the London International Financial Futures Exchange, have foundered miserably. Mr Rosenthal says he would pursue links on a more equal basis.

Although Mr Rosenthal is not hugely popular at the exchange, he is currently believed to have the best chance of succeeding Mr Mahlmann.

The other contender for the post is Mr Dale Lorenzen, a grain trader, who was unsuccessful in his bid for the deputy chairmanship this year.

"This is the biggest fight we've ever had here ... there will be some very sharp questions asked at this meeting," says Mr Bud Frazier, who has been trading grain at the exchange for nearly 30 years.

Mr Mahlmann cannot escape some association with the crises that have beset the exchange this year and the membership seems keen for a change in the top job.

Greece offers three-year issue index-linked to Ecu

By Kerin Hope in Athens

GREECE is offering a three-year 10 per cent bond index-linked to the Ecu. It will be the country's fifth Ecu bond issue in the past seven months.

The tax-free bond is issued at par with a face value in both drachmas and Ecu and will be traded on the Athens stock exchange.

Both interest and final payment are based on the Ecu but will be made in drachmas.

Funds imported from abroad to buy the bond can be freely converted and re-exported when the buyer sells or the issue expires, the Bank of Greece said.

The Bank noted that the bond offered "the best possible protection against fluctuations in the value of our national currency."

The drachma has declined by an average of 8.5 per cent against European currencies in the past 12 months.

The previous Ecu issue, a month ago, offered a 9.75 per cent coupon and raised 72bn drachmas ($433m), of which more than 40bn drachmas was covered by foreign buyers.

OFT clears London path for Swedish exchange

By Deborah Hargreaves

OM, the Swedish electronic futures and options exchange came a step nearer to setting up its planned London subsidiary yesterday when the UK Office of Fair Trading said it found nothing in the exchange's rules to distort competition.

In its report to the Department of Trade and Industry, the OFT paved the way for OML, the Swedish exchange's London arm, to be approved as an investment exchange under the Financial Services Act. The DTI which is expected to make an announcement in several weeks will also consider other aspects of OM's application.

The Swedish exchange has initial plans to extend trading of its Swedish contracts to London although the exchange says it envisages the introduction of non-Swedish products at a later date. Trading will be on an integrated electronic market and clearing system and will be in Swedish kroner.

OM has set up trading subsidiaries in three European countries and plans four additional ventures. Its Spanish arm, OM Iberica, started up last week.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Nov 15 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Nov 14 Index No.	Mon Nov 13 Index No.	Fri Nov 10 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	874.32	-0.6	12.75	4.86	9.61	28.51	879.39	879.87	885.24	816.37
2 Building Materials (28)	1045.79	-1.4	15.19	5.37	8.21	35.83	1060.46	1063.95	1066.33	1016.42
3 Contracting, Construction (37)	1392.37	-0.7	17.81	5.56	7.37	56.04	1402.15	1406.49	1411.67	1564.36
4 Electricals (10)	2500.72	-0.7	11.01	4.97	11.42	83.50	2519.28	2523.82	2534.17	2365.12
5 Electronics (30)	1932.72	+0.4	9.53	3.77	13.51	51.07	1925.90	1922.56	1945.75	1812.23
6 Mechanical Engineering (53)	460.41	—	12.18	4.92	9.99	14.90	460.50	460.60	464.35	429.13
8 Metals and Metal Forming (6)	459.21	—	22.39	6.52	4.93	16.13	459.45	460.52	462.41	507.19
9 Motors (18)	358.05	-0.4	11.12	4.84	10.55	11.79	359.62	364.79	361.53	279.29
10 Other Industrial Materials (24)	1623.40	-1.4	10.18	4.62	11.58	54.07	1646.44	1641.86	1651.53	1340.19
21 CONSUMER GROUP (185)	1249.92	-0.4	8.79	3.55	14.31	29.55	1254.54	1256.37	1255.58	1054.44
22 Brewers and Distillers (23)	1397.67	-0.7	9.36	3.52	13.37	28.12	1407.59	1402.92	1404.56	1133.00
25 Food Manufacturing (20)	1095.24	+0.1	9.37	3.98	13.46	25.81	1094.27	1093.71	1097.11	949.73
26 Food Retailing (15)	2297.78	+0.1	9.09	3.09	14.54	44.99	2295.76	2295.13	2308.88	1820.19
27 Health and Household (14)	2520.70	-0.7	6.18	1.91	19.27	41.91	2537.40	2552.99	2520.90	1816.72
29 Leisure (35)	1557.93	-0.4	8.31	3.70	14.83	41.11	1564.50	1564.34	1572.06	1413.83
31 Packaging & Paper (14)	529.96	-0.1	12.40	5.45	10.11	17.67	530.75	532.67	531.04	540.67
32 Publishing & Printing (18)	3611.19	-0.3	8.66	4.85	14.99	118.23	3620.05	3637.63	3624.65	3412.50
34 Stores (32)	775.56	-0.2	11.01	4.76	11.84	24.22	777.07	778.33	781.54	729.58
35 Textiles (14)	507.26	-0.9	11.26	5.80	10.77	18.11	512.09	515.23	518.04	503.66
40 OTHER GROUPS (94)	1108.51	-0.2	10.67	4.64	11.37	27.82	1110.28	1110.91	1107.40	896.72
41 Agencies (17)	1483.47	-0.2	7.11	2.44	17.34	26.28	1486.09	1495.81	1487.60	1069.23
42 Chemicals (22)	1177.35	-0.2	12.09	5.43	9.12	43.57	1180.26	1183.11	1178.47	1032.52
43 Conglomerates (14)	1602.23	-0.7	10.66	5.32	11.07	36.25	1614.07	1600.15	1611.81	1235.46
45 Transport (13)	2101.11	-0.7	11.14	4.46	11.49	57.65	2115.43	2124.51	2130.04	1936.36
47 Telephone Networks (2)	1077.03	-0.2	11.26	4.59	11.58	22.38	1078.96	1077.96	1066.34	972.03
48 Miscellaneous (26)	1854.22	+0.7	9.37	4.44	12.04	45.43	1840.82	1842.56	1840.90	1209.13
49 INDUSTRIAL GROUP (485)	1126.44	-0.4	10.32	4.20	11.95	29.40	1130.51	1131.61	1131.96	964.05
51 Oil & Gas (15)	2130.99	-0.6	10.16	5.32	13.00	96.40	2143.15	2133.70	2156.82	1721.72
59 500 SHARE INDEX (500)	1211.02	-0.4	10.30	4.35	12.09	35.10	1215.75	1216.03	1218.16	1029.33
61 FINANCIAL GROUP (121)	776.07	-0.9	—	5.41	—	28.61	783.36	783.49	785.71	685.28
62 Banks (9)	798.04	—	21.61	6.26	6.00	35.17	798.10	799.20	805.62	669.30
65 Insurance (Life) (8)	1276.34	-2.7	—	5.21	—	47.56	1312.26	1307.47	1307.13	948.45
66 Insurance (Composite) (7)	648.54	-2.5	—	5.83	—	28.34	665.37	659.83	661.98	516.75
67 Insurance (Brokers) (7)	1068.14	-1.4	7.05	5.08	18.09	45.26	1083.05	1086.61	1082.36	894.39
68 Merchant Banks (11)	422.25	-0.3	—	4.80	—	9.70	423.49	427.40	427.69	340.72
69 Property (49)	1172.37	-0.4	7.73	3.54	16.34	23.34	1177.40	1182.01	1178.59	1252.72
70 Other Financial (30)	321.24	-0.1	12.45	6.60	10.49	14.48	321.53	322.24	323.04	360.93
71 Investment Trusts (69)	1204.75	-0.3	—	2.90	—	22.73	1207.98	1204.10	1204.49	929.76
81 Mining Finance (1)	696.73	-0.9	10.71	3.87	10.49	22.25	703.15	708.28	703.15	567.98
91 Overseas Traders (7)	1384.04	-1.2	9.99	5.84	11.48	54.79	1400.09	1398.97	1396.78	1373.17
99 ALL-SHARE INDEX (698)	1107.17	-0.5	—	4.48	—	33.23	1112.56	1112.75	1114.66	944.61

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 14	Nov 13	Nov 10	Nov 9	Nov 8	Year ago
FT-SE 100 SHARE INDEX‡	2203.4	-11.3	2208.5	2200.1	2214.7	2213.2	2216.7	2201.7	2203.8	1807.3

FIXED INTEREST

	PRICE INDICES	Wed Nov 15	Day's change %	Tue Nov 14	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.91	-0.11	117.04	—	10.50
2	5-15 years	130.47	-0.09	130.58	—	11.60
3	Over 15 years	139.31	-0.13	139.49	—	12.71
4	Irredeemables	157.58	+0.03	157.54	—	13.42
5	All stocks	128.50	-0.10	128.63	—	11.52
	Index-Linked					
6	Up to 5 years	140.44	-0.04	140.49	—	2.79
7	Over 5 years	138.90	-0.11	139.06	—	3.21
8	All stocks	138.90	-0.11	139.05	—	3.15
9	Debentures & Loans	107.83	+0.13	107.69	—	9.39
10	Preference	85.52	-0.13	85.63	—	5.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 15	Tue Nov 14	Year ago (approx.)
	British Government				
1	Low	5 years	9.93	9.94	9.89
2	Coupons	15 years	9.66	9.66	9.37
3		25 years	9.57	9.57	9.01
4	Medium	5 years	11.08	11.01	10.28
5	Coupons	15 years	10.04	10.04	9.60
6		25 years	9.69	9.68	9.25
7	High	5 years	11.18	11.13	10.41
8	Coupons	15 years	10.25	10.24	9.72
9		25 years	9.83	9.84	9.29
10	Irredeemables†		9.65	9.65	8.92
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.44	3.42	2.89
12	Inflation rate 5%	Over 5 yrs.	3.61	3.60	3.61
13	Inflation rate 10%	5yrs.	2.65	2.62	1.82
14	Inflation rate 10%	Over 5 yrs.	3.45	3.44	3.46
15	Debs &	5 years●	12.59	12.59	11.15
16	Loans	15 years●	11.95	11.97	10.93
17		25 years●	11.95	11.96	10.72
18	Preference†		10.73	10.71	10.24

‡Opening index 2206.9; 10 am 2200.7; 11 am 2202.0; Noon 2206.2; 1 pm 2206.7; 2 pm 2205.7; 3 pm 2207.8; 3.30 pm 2204.9; 4 pm 2202.4 (a) 2.43pm (b) 9.33am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. ● DEBENTURE YIELDS (14/11/89): 5yrs- 12.59, 15yrs- 11.97, 25yrs- 11.96. ELF (UK) 12¼ % 1991 has been excluded from the calculation of debenture yields since 14/11/89.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	82	18
Corporations, Dominion and Foreign Bonds	1	9	33
Industrials	244	444	915
Financial and Properties	104	181	390
Oils	12	35	47
Plantations	1	1	7
Mines	36	46	86
Others	45	94	122
Totals	447	892	1,618

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov 6
● Last Dealings Nov 17
● Last Declarations Feb 8
● For settlement Feb 19

For rate indications see end of London Share Service

Calls in Aviva Pet, Explaura, WB Inds., Amstrad, Eurotunnel Units, Eurotunnel Warrants, Greenwich Res., Guildhouse Grp., Sears, LIT, Bennett & Fountain. Put in Eurotunnel Units.

LONDON TRADED OPTIONS

OPTIONS DEALERS had another dull day as they waited for the Chancellor of the Exchequer to deliver the Autumn Statement on the economy.

The futures market dipped in reaction to the Chancellor's speech, with the December FT-SE 100 contract moving from a 5-point premium to the cash market, to a 5-point discount.

This prompted implied volatility of FT-SE puts to rise slightly, while call volatility eased. Implied volatility is a measure of stock market volality.

Turnover in the FT-SE contract amounted to just 3,902 lots, compared with 5,403 on Tuesday. Yesterday's total was divided between 1,041 calls and 2,861 puts.

However, the Autumn Statement had only a limited impact, as the options market closed soon after it was delivered. This was reflected in the turnover figures.

At 22,878 contracts, volume was slightly above Tuesday's levels, though not enough to stop traders complaining about the lack of business.

Yesterday's total was divided evenly between 11,774 calls and 11,104 puts.

Open interest on Tuesday rose to 838,299 contracts, compared with 826,867 on Monday, while in the FT-SE, open interest rose to 123,957 against 122,130.

Activity in a handful of stock options provided the main business of the day and focused on those companies reporting results this morning.

Trading in British Gas was boosted due to the release of its interim results this morning. The underlying security was little changed on the day, but traded a brisk 4.1m shares.

Options turnover was also lifted by the activities of one market maker, who was said to have bought 750 lots in the December 180 and 200 put series.

Total turnover was 1,767 contracts, of which 764 were calls and 1,003 puts. The December 180 put series was the busiest, trading 1,000 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*467)	460	30	50	56	19	24	32
	500	13	31	38	44	46	52
	550	4	13	—	90	90	—
Brit. Airways (*199)	180	24	32	34	2½	6	7½
	200	10	18	22	9	12	15
	220	4	9	14	24	25	26
Brit Com (*116)	110	17	20	23	6	10	13
	120	12	16	18	12	14	18
	130	7	14	13	18	20	23
SmKl Beecham A	541	30	—	—	18	—	—
Trafalgar (*335)	330	—	29	35	—	20	27
	347	11	—	—	29	—	—
Utd. Biscuits (*355)	330	41	51	59	5	9	12
	360	21	32	41	17	22	25
Unilever (*653)	600	71½	90½	108	8½	17½	22½
	650	36	55½	72½	24½	33	36½
	700	15	32½	48½	56	62½	65½
Ultramar (*327)	300	43	52	60	5	13	14
	330	23	32	43	16	22	25
	360	11	18	29	35	40	42

Option		Calls Nov	Calls Jan	Calls Apr	Puts Nov	Puts Jan	Puts Apr
ASDA Grp. (*136)	130	9	16	22	2	5	8
	140	3	10	16	6	11	13
Gateway (*237)	220	—	—	—	1	—	—
	240	1	—	—	11	—	—
Polly Peck (*368)	330	48½	59½	69	8	12½	16
	360	29	40½	50½	19	24	27½
Beazer (*901)	900	35½	65½	84½	25½	37½	46½
	950	16	41½	60½	57½	66	73½

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UK COMPANY NEWS

Smiths soars to £112m with 15% rise

By Clare Pearson

SMITHS Industries, the aerospace, medical systems and industrial group, yesterday reported a 15 per cent increase in pre-tax profits to £111.7m in the year to end-July.

At the operating level, profits improved to £99.82m (£89.86m) on a rise in turnover to £704.9m (£666.4m). Interest receivable, reflecting higher cash balances and interest rates, increased to £11.92m (£7.33m).

Smiths confirmed that it had written back £17.6m to reserves after successfully resolving two contracts against which provisions were made when it bought the avionics interests of Lear Siegler of the US in 1987. Additional contracts for the products, a self-contained navigation system and flight data recorder, have been obtained during the year.

Aerospace as a whole made operating profits of £60.16m (£52.94m) on turnover of £495.7m (£439.5m).

Yesterday manual workers at Smiths' Cheltenham aerospace site, whose main customers are already in disputes, voted to strike. But Smiths said this was not likely to be significant in financial terms.

Medical systems operations in the US resumed growth in the second half after suffering heavy competition earlier in the year. The division made £21.19m (£20.99m) on turnover of £108.2m (£95.1m).

Times Microwave Systems put in about £1.5m for the six months it was included. Industrial operations pushed profits ahead to £18.47m (£14.72m) on turnover of £101m (£89.85m).

Currency translations benefited the result to the tune of £1.7m. Property put in about £5m.

Earnings per share increased by 13.3 per cent to 25.5p (22.5p). The final dividend is 5.65p making 8.9p (7.5p) for the year.

Paul Murphy

Roger Hurn, chief executive of Smiths Industries

● COMMENT

Smiths' shares are currently overshadowed by the Boeing dispute, but this does not look at the moment to have more than a very modest effect on the current year's work; its own dispute at Cheltenham is a side-show. The strike factor aside, Smiths followers were enthused yesterday following the release of these better-than-expected results. Particularly attractive features included the successful resolution of the problems that emerged after the Lear Siegler acquisition and, more recently, the setback in US medical systems. Both these divisions appear in fine shape while industrial, once seen virtually as an appendix to the rest of the group, impressively improved its margins during the year. The company should achieve pre-tax profits of at least £125m this time, putting the shares on a prospective p/e of around 9.5, which is widely seen as too low.

A really useful managers buy-out

By John Ridding

MR ANDREW Lloyd Webber, writer of musical hits such as Cats and Evita, and his fellow directors at the Really Useful Group, yesterday revealed that they are planning to take the theatre production company private through a management buy-out.

In a statement to the Stock Exchange, the company said the directors "are investigating the possibility of making an offer for RUG" but added that "their consideration of the matter is at an early stage.

The announcement appears to have been prompted by recent press speculation which has sent the share price soaring from 570p in the middle of October to 690p yesterday, a gain of 18p on the day. At the closing price the company is capitalised at about £76m.

Only a relatively small proportion of the shares are currently in public hands. Mr Lloyd Webber holds 38 per cent of the shares and Mr Robert Maxwell, the publisher, recently bought a 14.5 per cent stake from Mr Brian Brolly, a co-founder and former managing director of the group.

RUG, which came to the market in 1986 at a minimum tender price of 330p per share, was formed to provide a vehicle for Mr Lloyd Webber's musical productions. In addition to Cats, these include The Phantom Of The Opera and Starlight Express. However, the company does not own rights to earlier Lloyd Webber hits such as Jesus Christ Superstar, Evita, and Joseph.

Global receipts from Cats now amount to over £500m and the group's current strategy is to use the rights from such successful productions to expand into television, film and recorded music.

Profits have climbed from £2.7m in 1985 to £7.4m for the year ended June 1989. However, last year showed a slight decline at the operating level and the group remains dependent on income from Cats.

One analyst said that despite its high public profile, the group was not well understood by investors and that had placed a limit on its market rating.

Burmah shares fall 32p on SHV bid statement

By Steven Butler

SHARES IN Burmah Oil, the specialty lubricants company, fell sharply yesterday after SHV, the private Dutch industrial group, gave assurances that bar it from making an immediate takeover bid.

The statement, however, does not prevent SHV from adding to its 9.1 per cent stake in Burmah and fails to clear up speculation about its intentions.

Burmah shares, which yesterday lost 32p to 656p, had risen strongly in recent months in response to SHV's share purchases.

Many analysts believe SHV is trying to gain effective control of Burmah without launching a full bid, as it did with Calor Gas, where it holds 44 per cent.

Speculation has centred on the possibility that SHV might continue its purchases in Burmah until it approaches the 30 per cent limit, which would trigger a mandatory bid.

At that time, according to this scenario, SHV would attempt a merger of Calor, the bottled gas group, and Burmah on terms which would give it an effective controlling stake in the combined group without paying a takeover premium.

A possible merger between Calor and Burmah is widely seen to offer an excellent industrial fit, and would help relieve Burmah's UK tax problems which derive from its high proportion of overseas earnings.

In a letter to Burmah, SHV said: "We want to be a supportive long term shareholder and do not contemplate a take over scenario. You know SHV does not like 'unfriendly' situations and has never been involved in one."

The Takeover Panel interpreted this as a "no bid" statement, barring SHV from bidding for six months to a year, in the absence of material changes to Burmah's situation.

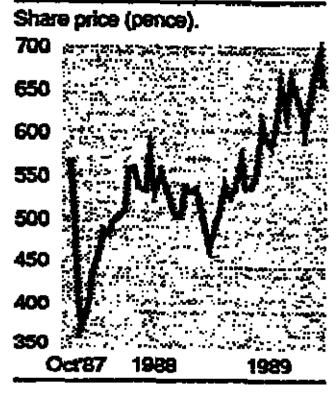
Mr James Alexander, Burmah director for corporate affairs, described the statement as helpful. However, he said Burmah had never expected a hostile bid.

He said Burmah would not make any deal that was not in the interests of all shareholders and would not be pressed into a deal by a large minority holder.

If SHV continued to buy shares, it would need to clarify its intentions again. "If they keep on purchasing, it is to a degree destabilising," he said.

Burmah Oil

Share price (pence).



GA third quarter below market expectations

By Patrick Cockburn

HURRICANE HUGO may turn out to have hit General Accident harder than the other composites with a loss for the third quarter totalling £63m reducing pre-tax profits to £136.7m, far below £214.9m of last year and well below what the market had expected.

In addition to losses from Hugo, GA made provision for a loss of £40.6m as a result of the banking operations of NZI Corporation and an additional £10m for expected subsidence claims in the UK as a result of the hot summer.

Mr Nelson Robertson, deputy chief general manager of GA, said yesterday that it had been unlucky to be hit by Hugo both in Puerto Rico and the Virgin Islands in the Caribbean and again when the hurricane hit South Carolina.

He added that over the years the company had had the advantage of retaining a larger portion of the risk than many other insurance companies and now had to pay the price. Mr Robertson, who is to be GA's chief general manager from the end of the year, said he did not expect this policy to change.

Underwriting losses worldwide increased from £39.4m to £125.7m, which is more than anticipated. This is largely the result of US losses which jumped from £33.9m to £69.8m though UK underwriting showed a £25.5m profit despite the subsidence provision. All sectors in the UK held up well with the possible exception of liability.

Mr Robertson said that the main improvement over the year was at NZI Bank where GA had been able to cut expenses by "slimming down" branches and staff to a level commensurate with the level of business conducted.

Investment income after nine months of the year were up £71.6m at £330.2 compared with last year. GA's estate agency network over the same period made a loss £12.6m.

Egerton Trust buys option on builder

Egerton Trust has paid £300,000 for an option to acquire all the capital of Ryeford, a Surrey-based house-builder.

The option entitles Egerton to buy Ryeford for about £2.9m, including the cost of the option.

Land Securities meets City forecasts with £81m

By Paul Cheeseright, Property Correspondent

LAND SECURITIES, the largest British property investment and development group, reported first half pre-tax profits of £80.8m, an increase of 13 per cent on the corresponding period last year and well in line with market expectations.

The increase reflected not only the growth in rents across its £5.2bn property portfolio, over half of which is offices in the City and West End of London, but also the additions to the portfolio through the completion of developments.

Rental income was boosted to £130.9m (110.8m) by the pre-letting of three new buildings in the City of London, the completion or refurbishment of four shopping centres and completion and letting of 575,000 sq ft of retail warehousing space.

Interest receivable was given a push to £19.6m (£17.7m) by a £175m issue of 9⅝ per cent convertible bonds. But this was offset by a rise in interest payments from £41.1m to £52.3m, a consequence of the group's development programme.

The interim dividend is 4.75p (4.1p), covered by earnings per share of 10.42p.

Rare among property groups, Land Securities does not capitalise the interest on its development projects but sets the costs against profits when the expenditure is incurred. The group noted that all its borrowings were long term and gearing has been unaffected by recent rises in interest rates. At the end of its last financial year, gearing was 26 per cent.

● COMMENT

Land Securities is the ultimate defensive stock. It will trundle on, pretty well regardless of any change in the short term economic circumstances. There is still some growth mileage in the portfolio as rents coming up for review catch up with levels established in the market. But in the second half there are no developments coming on stream that are significant enough to bolster rental income very much. With the market becoming increasingly uncertain, estimating the future net asset value gets trickier but Land Securities on present trends ought to grow from 855p last March to 930p by the year end. Not that that will thrill the market, which, by putting the shares at 523p on a prospective discount of nearly 44 per cent, has been worried about eroding capital values for some months.

ICI C$120m waste disposal

By Peter Marsh

IMPERIAL Chemical Industries is to gain C$120m (£64.6m) by selling its 50 per cent shareholding in Tricil, a leading Canadian waste-management company. The move ends a long-running dispute over ownership of the business.

The buyer is Trimac, a Canadian waste-disposal business which had been the British company's partner in the joint venture.

Tricil runs a chemical-waste incinerator in Ontario which is one of only two in Canada capable of disposing of chemical residues containing toxic polychlorinated biphenyls (PCBs).

Some years ago ICI fell out with Trimac and both companies said they wanted to buy the other out. However, they could not agree on the terms and this year the matter went to an Alberta court which ruled that ICI had to sell.

The court said that the group should sell its shares to Trimac for C$91m. On negotiation, ICI managed to increase this to the eventual sale price.

ICI said yesterday it would have liked to take over full ownership of Tricil but was not disappointed.

Yesterday's move is the latest of a recent series of divestments by ICI which the company describes as a way of tidying up some of its peripheral businesses so it can concentrate on core areas.

In recent months ICI has announced its intention to sell some of its electronics businesses and has also left the area of selling non-prescription drugs in the US.

DIVIDENDS ANNOUNCED

AAH ....int	4.5†	-	4	-	11.95
Allied Irish Bks ....int	3.35♣†	-	2.675*	-	6.375*
British Airways ....int	2.8	Jan 12	2.5	-	7.75
Concentric ....fin	6.55†	Jan 15	5.46	9.36	7.8
Davy Corp ....int	2.75‡	Feb 6	2.5	-	8.5
Dunhill ....int	2	-	1.25	-	3.75
Jessups ....fin	4.75	Jan 5	4.25	7	6.25
Land Securities ....int	4.75	-	4.1	-	14.4
McLeod Russel ....fin	2.75	-	2.25‡	5.25	6.75‡
Regalian Props ....int	1.5	Jan 5	1.5	-	4
Nesco Invests ....fin	nil	-	0.5	2‡‡	0.5
Smiths Inds ....fin	5.65	-	5.25	8.9	7.5
Stanhope Props §........fin	0.1	Dec 20	0.1	0.1	0.1
Wagon Industrial........int	5.75	-	5.25	-	14

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ◊Third market. ♣Irish currency. ‡Carries scrip option. ‡‡For 15 months. ‡For 18 months period.

UK COMPANY NEWS

Concentric bucks trend with rise to £8.18m

By Richard Tomkins, Midlands Correspondent

CONCENTRIC, the Birmingham-based components manufacturer, bucked the gloomy trend among Midlands engineering companies and reported a 30 per cent increase from £6.28m to £8.13m in pre-tax profits for the year to end-September.

Nearly all the profits growth fed through to the bottom line, where earnings per share rose by 27 per cent to 27.23p (21.4p). Concentric has made no acquisitions for two years, so all the growth was organic.

Turnover was £103.7m (£88.5m). The final dividend is raised to 6.55p, making a total of 9.36p – an increase of 20 per cent over the previous year's 7.8p.

Concentric did not escape the effect of high UK interest rates. Mr Tony Firth, chairman, said the group experienced a considerable fall in demand for the gas controls and plastic mouldings it supplies to the white goods sector.

But disappointments there were more than outweighed by progress in other markets – particularly the automotive sector, which saw buoyant demand from overseas manufacturers as well as those in the UK.

In other sectors, sales of Concentric's satellite dishes – 50 per cent of which go to continental suppliers – were greater than expected, and the group believes it is now the biggest manufacturer in Europe.

Demand for instrumentation from the petrochemical and water industries increased, as did sales of plastic mouldings to the confectionery industry and its sales of racing brakes and clutches.

Mr Firth attributed the growth to the group's capital spending programme and its investment in people. Capital spending last year rose from £4.75m to £7.01m, he said, while employees had responded enthusiastically to re-training and the acquisition of new skills.

● COMMENT

These figures did little to dispel the air of mystery that surrounds Concentric. Although reassured to note that this company, like others, can be squeezed by the effect of high interest rates, the market is left little the wiser about where the rollicking profits growth is coming from – or indeed, how long it will last. With the benefits of last year's capital spending coming through, new products coming on stream, and shipments starting from the US factory, one analyst's forecast of another 23 per cent jump to £10.1m pre-tax does not seem far-fetched for the current year. Dilution from the May rights issue, though, would leave earnings growth of 10 per cent looking comparatively modest against the compound average rate of 34 per cent over the last five years – hence, perhaps, the miserly prospective p/e of barely 9.

Correction
Ambrose Investment

In yesterday's Financial Times, the earnings per share of Ambrose Investment Trust for the six months to September 30 was incorrectly stated. The correct figures are: earnings per income share of 8.36p (6.58p), asset value per income share of 31.24p (28.16p) and asset value per capital share of 706.94p (666.87p).

Hurricane Hugo adds to the £37m wind damage costs in the US

CU 28% lower at nine months

By Patrick Cockburn

MR NICHOLAS Baring is to be the new chairman of Commercial Union from next April succeeding Mr Sandy Marshall who has been chairman of the company since 1983.

Mr Baring, 55, is at present deputy chairman of Commercial Union and has been on the board since 1983. He is also a director of Barings.

At the same time the company announced a 28 per cent fall in pre-tax profits from £152.8m to £110.3m in the first nine months of 1989.

Mr Tony Wyand, group general manager (finance and investments), said a major reason for the drop was the £37m cost of wind damage in the US, including at least £20m for Hurricane Hugo.

The cost of the California earthquake, which occurred on October 17, is not included in these figures but is not expected to exceed £5m.

Nicholas Baring: takes over next April

Commercial Union also said that it planned to change its corporate structure from 1990 by introducing a non-insurance holding company above the existing quoted company.

The purpose of the move was to bring Commercial Union into line with current European Community practice. However, Mr Wyand said the company did not plan to move outside the traditional insurance sector.

In addition to an unprecedented string of catastrophes, increased competition and low primary insurance rates increased operating loss in the US to £30.2m (£13.6m). Premium income was static.

Asked if he expected the disasters this year to lead to a hardening of insurance rates in the US Mr Wyand said that Commercial Union was sceptical about prospects for a rapid improvement in rates but Hugo and other losses might bring an upturn in the insurance cycle a little nearer.

Mr Peter Ward, general manager responsible for trading operations in the UK, said that a high level of major claims had continued, producing an underwriting loss of £9.5m in the third quarter. The underwriting profit for the year so far was only £400,000 compared with £25m last year.

In Europe Commercial Union regards acquisitions as expensive and prefers joint ventures or partnerships, particularly with banks. It also sees opportunities stemming from the free market in commercial risk from the summer of 1990.

Worldwide premium income was up 8 per cent at £2.55bn. Underwriting losses totalled £168.6m (£101m) and investment income rose to £201.5m (£180.7m). Earnings per share fell 32 per cent to 14.4p.

Market downturn takes toll on Regalian

THE DOWNTURN in the domestic property market brought sharply lower interim figures for Regalian Properties. Pre-tax profits were £5.5m for the six months to September 30 against £17.25m, on turnover of £18.5m, down from £52.6m, writes Peter Berlin.

Regalian began to diversify into office development in 1987 and earlier this week announced an £850m development at Paddington Station in London in which it has a 50 per cent stake.

The figures contained no gross profits from commercial developments, although Regalian earned £5.5m in interest from the cash deposit for the pre-sale of an office development at Vauxhall, south London.

Mr David Goldstone, chairman, said that the domestic market in London was "non-existent".

Outside London there had been demand for domestic developments in St James Park, Salford and Marlborough Park, Washington, Tyne and Wear. Profits from property sales were £2.3m.

Regalian has £180m in unsold domestic property in its portfolio. However, Mr Goldstone said that the company would not cut prices but would wait for the market to recover.

Regalian is involved in legal action against Pearson, owner of the Financial Times, over £6m withheld from the £74.4m contract for Horseshoe Court, the FT headquarters.

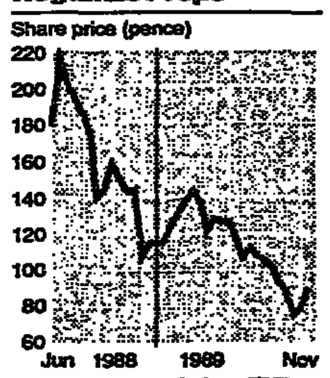
Earnings per share were 3.9p against 12.11p in the same period in 1988. The interim dividend is maintained at 1.5p.

Regalian has borrowings of £73.8m and cash reserves of £95m of which £90m is security against the deposit for the Vauxhall Cross development.

● COMMENT

Given the miserable state of the housing market Regalian did well to sell even £18.5m

Regalian Props



worth of domestic property and if it can repeat the performance in the second half the company may well manage to squeeze profits of £10m out of a lifeless sector. Regalian's lack of gearing leaves it better placed than many in the sector. The company has the luxury of being able to sit on £180m of domestic property, with another £209m at Kensington Gardens in west London and Heron Quays in the London docklands in the pipeline, and wait for the upturn. Regalian's move two years ago into the commercial sector is also bearing fruit in the form of the interest from Vauxhall Cross. In the longer term Red Lion Court, in Southwark, London, which is pre-let to Lloyd's Bank, offers the prospect of generous returns. Some of Regalian's more recent moves indicate a leap into the big time, notably the Bishopsbridge scheme in Paddington which still requires planning permission but which could produce an speedy return if Regalian can maintain its success in attaining early lease agreements. The shares closed 4p down at 86p which, with an asset value of 160p, gives a discount of 47 per cent. That should make its shares more attractive when the cloud over the domestic market eventually rolls away.

هكذا ضمن الأصل

Engineer highlights good flow of orders and new contracts

Davy moves up 28% to over £11m

By Andrew Bolger

DAVY CORPORATION, the UK engineering and project contracting group, achieved a 28 per cent increase in pre-tax profits from turnover 27 per cent higher in the half-year to September 30.

Turnover was £529.68m (£417.35m) and profit came to £11.13m (£8.68m). Earnings per share rose only 10 per cent to 7.5p (6.8p), as the estimated tax rate for the year was a more normal 33 per cent (25 per cent) - tax paid increased to £3.68m (£2.17m). The interim dividend also rises 10 per cent, to 2.75p.

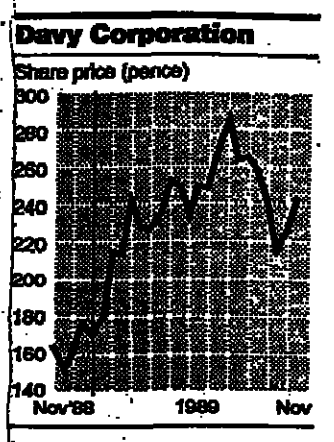
Lord Jellicoe, who retires as chairman at the end of the year, said Davy was enjoying a good flow of orders in most parts of the business, and particularly in the metals division where the continuing strong market had encouraged customers to invest in new capacity and modernise old plant.

Important new contracts included a number of steel industry projects in the US and Canada in casting and furnace refurbishment, totalling £100m. In the petroleum industry, the Australian subsidiary would undertake a £125m catalytic cracking unit for Shell and in the UK the group had been awarded the design phase for a £100m Shell Haven refinery.

In September, Davy expanded its services division by buying Sight and Sound Education for £5.5m, with further amounts up to £5m payable depending on profits. Lord Jellicoe said Sight and Sound was a major provider of clerical and office training and complemented the activities of Lloyds British Training School, which provides training in the blue-collar sector, thereby considerably strengthening the training arm of the services division.

Mr Roger Kingdon, chief executive, said the group's commitment to new technology was illustrated by the opening of a new pilot plant development centre at Stockton, on Teesside, last month.

Davy Corporation



The success of this policy was illustrated by agreements licensing companies in Japan and Korea to use Davy's new butanediol process - used to make engineering plastics - together with contracts for the engineering design of the manufacturing plant.

Lord Jellicoe will be replaced as chairman by Sir Alistair Frame, former chairman of RTZ, who joined the board of Davy in October as deputy chairman.

● COMMENT

Davy's big-plant contracts tend to come in at the tail end of the industrial cycle, so the group has been enjoying a full order book and has no complaints on that score for the year ahead. Pre-tax profits have grown in step with turnover, but at 2.1 per cent its overall profit margin is still very low. It is to improve margins that Davy has been trying to build up its services and training activities. It tends to take the bulk of profits in the second half, so analysts expect full year profits of £35m and earnings of about 24p. The shares closed 3p down at 241p, which would put it on a prospective multiple of 10. That seems fully valued, given that Davy's low margins still leave it very vulnerable to the big contract which goes spectacularly wrong.

Managing directors leave UTC

By Nikki Tait

BOARDROOM ructions have led to the departure of the joint managing directors of UTC Group, the small stockbroking and corporate finance concern.

The company announced yesterday that Mr Richard Owen and Mr Geoffrey Simmonds have resigned from the main and subsidiary boards "to pursue other interests".

The only formal explanation was that the announcement followed "differences of opinion regarding the strategy and management of the company". Mr Jonathan Harris, another director, who becomes managing director and chief executive, said an agreement barred him from elaborating on reasons for the split.

However, earlier this autumn, the two men sold their 4.59 per cent interest in UTC to City & Westminster Group, the financial services company which was proposing a merger with UTC. At the time, Mr Simmonds said that they, personally, were "clearly not opposed to a merger."

The merger, however, failed to gain board backing and discussions terminated last month. Mr Harris and his brother, who joined via UTC's acquisition in 1987 of surveyors Pepper Angliss & Yarwood, control around 29 per cent of UTC's shares as a result of that deal - a percentage which he said will rise as earnout payments fall due.

UTC said that severance terms have been fixed, but again that it has agreed not to comment further.

Mr Clive Mattock, deputy chairman, has been appointed managing director of United Trade & Credit, UTC's financial services subsidiary.

Yesterday, UTC shares fell from 132p to 117p.

US acquisition helps boost Allied Irish profits by 39%

By David Lascelles, Banking Editor

ALLIED IRISH Banks, one of Ireland's two leading banking groups, displayed the effects of its recent US acquisition yesterday with a 39 per cent increase in interim profits.

The result, for the six months to September 30, included for the first time a full contribution from First Maryland Bancorp (FMB), which it only part-owned until the beginning of this year.

AIB earned I£110m (£100m) pre-tax, up from I£79m. Earnings per share increased 17 per cent, from 11.2p to 13.1p, taking into account the I£110m rights issue which the bank made to fund the $371m FMB acquisition.

Mr Paddy Dowling, assistant chief executive, said that all parts of the bank had performed well, and he was particularly gratified by the group's growing control over costs.

While income had risen 19 per cent, he said, costs had only gone up 11 per cent. There would be further cost savings as the bank's staff redundancy programme continued, though some of these benefits might be passed on to savers in order to strengthen AIB's position in the deposits market.

Although some parts of the eastern US had suffered from the slump in the real estate business, this had not seriously affected the market in which FMB was operating.

AIB raised its provisions against its total exposure to Third World countries to 50 per cent, matching the rises made at the interim stage by UK clearing banks. But AIB felt it was not necessary to go as far as Lloyds and NatWest which last week raised provisions to over 70 per cent.

AIB's exposure is to Mexico, Venezuela and Chile, most of which was performing, Mr Dowling said. He was pessimistic, however, about prospects for the refinancing package for Mexico because insufficient banks had agreed to put up new money.

The prospects for AIB looked good in Ireland, he said, where it is forecasting annual growth of 4.4 per cent over the next four years. Elsewhere, notably the UK and the US, growth would be achieved through deeper penetration of the local markets.

In Europe, AIB was interested in joint ventures with other institutions, but not in share swaps. In the UK, it was closely studying the possibility of buying a building society and would go for "the biggest one we can afford" according to Mr Dowling. This would include one of the top 20 societies.

The interim dividend is raised to 3.35p (2.875p).

Nesco dives into the red

UNSATISFACTORY results from its recent investment in the computer industry led Nesco Investments into a loss of £284,000 for 15 months ended June 30 1989, compared with a profit of £211,000 for the previous year.

No final dividend will be paid, leaving the total for the period at 2p (0.5p for year). Loss per share was 8.6p (earnings 2.6p).

The group's original activities - generating electricity in Nigeria and motor dealership in Leicestershire - improved profits, although the decline in the value of the Nigerian currency made an impact.

Inishtech purchase and cash call

Inishtech, the Irish industrial company, is to pay an initial I£7m (£6.36m) in cash and loan notes for Label Art, a County Dublin-based manufacturer of self-adhesive labels. Inishtech also plans to raise I£12m through a one-for-three rights issue at I£4.40.

Label Art reported pre-tax profits of I£830,000 on sales of I£3.15m in the eight months to August 31. In addition to the initial consideration, which includes the redemption of preference shares held by one of the vendors, another I£1.5m may be payable depending on profits over a three-year period.

4% increase at Jessups

Jessups, the Essex-based Vauxhall dealer, lifted pre-tax profits by some 4 per cent in the year to August 31 1989.

Mr Alan Jessup, chairman, felt that this was "satisfactory" in the circumstances.

Turnover rose 10 per cent to £99.73m (£88.72m), but operating surplus fell to £5.37m (£5.49m). However, lower interest charges of £2.56m (£2.79m) lifted taxable profit to £2.8m (£2.7m).

On prospects, Mr Jessup said the current economic climate would have some impact, but profits were well balanced and there was no dependence on any one area of business.

Basic earnings came to 18.7p (20.38p). The final dividend is 4.75p for a total of 7p (6.25p).

Dunhill scores 37% growth to £25.7m

by Nikki Tait

PRE-TAX profits at Dunhill, the luxury consumer products group in which Rothmans International holds a 55 per cent stake, surged by 37 per cent to £25.7m in the six months to end-September.

The increase was scored on sales of £122.5m, against £99.9m last time, and the interim dividend rises by 60 per cent to 2p.

Dunhill said yesterday that, historically, its dividend cover has been high and that this reflected a policy of progressive reduction.

The company does not supply any detailed break-down of its figures at the interim stage, and yesterday declined to split out the contribution from interest earned on its cash balance. This was put at nearly £95m at the last year-end, and Mr Sior Pendle, Dunhill's managing director, said the figure has increased since then.

However, Mr Pendle stressed that the progress had been spread across all three business areas - Dunhill, Mont Blanc, the upmarket pen manufacturer, and the Chloé luxury fashion goods for women - and the various geographical regions.

Mr Pendle said that the group expected to continue expanding the Dunhill retail outlets in the US and Far East in parallel, and was also looking at sites in the likes of West Germany, France and Spain. The Mont Blanc production side has now been moved into the new factory in Hamburg - a step which potentially doubles capacity, while Chloé benefited from a significant increase in licence revenue.

On the subject of acquisitions, and the possible use to which the cash pile might be put, Mr Pendle commented that the group was always looking but that he felt its prudent strategy, and unwillingness to pay some of the very high multiples demanded recently, had been vindicated.

The group, he said, was "very keen to make additional acquisitions" but felt that prices were only starting to ease and might "wait a while yet".

He refused to be drawn on any aspects of the bid by Richemont, the Swiss company controlled by the Rupert family, for Rothmans. Although few other shareholders are expected to accept the offer, Philip Morris, the US group, has given irrevocable undertakings to accept in respect of its 24.9 per cent voting interest. This will give Richemont control of around 69 per cent of Rothmans.

When the bid was announced, Richemont said that it would discuss "ways of enhancing the value of shareholders' interests in Rothmans group companies" - which some analysts speculated could possibly affect the stakes held in either Dunhill or Cartier, another luxury goods business. However, Mr Pendle said that he could make "absolutely no comment" on any aspect of the Richemont statement.

SHARE STAKES

The following changes in company share stakes have been announced recently:

BSS Group: Following acquisition of 43,045 shares, Britannic Assurance holds 1.39m (6.73 per cent).

Burmah Oil: SHV Holdings has bought and contracted to buy a total of 2.13m ordinary lifting holding to 18.51m (9.14 per cent).

Chelsea Artisans: Mr Roger Leach, a director, acquired 9,000 shares on November 9 at 102p per share. On same date he sold 6,000 ordinary at 80p. Holding now stands at 628,600 ordinary (25.44 per cent).

Cramphorn: On November 6 A M St J Cramphorn, one of the directors and his wife together sold 9,195 shares at 463p each by private treaty. Purchasers were the Trustees of the Cramphorn Profit Sharing Scheme who will use the shares when the profit sharing scheme is operated for 1989. Mrs Cramphorn has no holding and Mr Cramphorn's is 169,230 shares (6.18 per cent).

Ferranti: Delaporte Establishment acquired 1m ordinary shares at 55p each. Total holding now 8.5m (1.13 per cent).

Fleming High Income: Royal Insurance Group has disposed of 1m shares. Total holding now 25.03m (22.42 per cent).

Iceland Frozen Foods: Peter Hinchcliffe, a director, bought 35,000 shares at 285p each. Total holding now 945,683 (1.1 per cent). The holding is a non-beneficial interest held as a trustee on behalf of minor children.

Ketson: Following the purchase of 1.5m shares, Conifer now owns 8.6m ordinary shares (11.19 per cent).

Kleinwort Overseas Investment Trust: Kleinwort Investment Trust disposed of 1m shares (1.24 per cent). Total holding now 7.96m (9.92 per cent) registered in the name of Frank Nominees.

Queens Moat Houses: John Gale, a director, has purchased 15,000 shares at 96p a share.

Tor Investment Trust: Sun Life Assurance holding of voting shares is now 491,121 (19.58 per cent).

UK COMPANY NEWS

Decline in share price disappoints Mid Kent

By Andrew Hill

MID KENT Holdings yesterday said it was disappointed with the drop in its share price since April, when it became the first water supplier in the country to establish itself as a quoted public limited company.

Mr Tony Sheppeck, the company's secretary, blamed the fall on customers who picked up shares in a preferential rights issue and have since sold out.

The shares closed yesterday at 355p, up 5p, compared with the rights issue price of 325p.

The group – one of the UK's 29 private statutory water companies – announced yesterday that it had increased its pre-tax profits to £6.01m in the 12 months to September, compared with £2.94m made by its core water business in 1987-88.

Mid Kent bypassed the conventional route to plc status in April when Mid Kent Holdings was formed to offer its own shares in exchange for the statutory water company's stock.

The statutory company still exists, but as the core water supply subsidiary of the parent group.

Interest payments were £737,000 during the year, compared with a charge of £1.76m at the statutory company in 1987-88, and Mid Kent also benefited from price rises, partially offset by new costs.

Some £235,000 of regulation costs were taken as an extraordinary charge, and the dry summer led to an exceptional loss of £256,000 – the cost of a hosepipe ban which is still in force in the region.

Statutory water companies supply water alongside the 10 larger water and sewage businesses which will be sold by the Government next week.

Since the beginning of September, the statutory companies have had the option of converting to plc status with shareholder approval, which would allow them to shake off dividend and voting restrictions.

All the companies are currently locked in talks with the Department of the Environment about limits on price rises. Mid Kent would not comment on the progress of the negotiations but some statutory companies fear strict limits might damage their operations and their share price, making them vulnerable to takeover.

Mid Kent paid a net dividend of 3p at the end of last month, as promised in April, and confirmed yesterday that it expected to declare a further dividend of 3p in January. Earnings per share of the new company were 27.8p and turnover rose from £17.4m to £20.2m.

The group hopes to diversify via joint ventures into related areas which could include civil engineering, plumbing and water treatment.

Two French water suppliers – Compagnie Générale des Eaux and SAUR – own large stakes in Mid Kent.

AAH expands to over £16m

By John Ridding

AAH HOLDINGS, the distribution and services group, yesterday announced pre-tax profits of £16.1m for the six months to the end of September, an increase of some 23 per cent.

The performance was helped by a decision in May by the Monopolies and Mergers Commission to block an incentive scheme offered by UniChem, one of its principal rivals in pharmaceutical distribution.

Last year, AAH estimated that it lost about £60m of business as a result of UniChem's scheme which involved the offer of shares to customers prior to its flotation.

Mr Bill Pybus, chairman, said, however, that the market for wholesale pharmaceuticals had now returned to more normal conditions and that "divisional sales responded accordingly with a rise of 8 per cent to £398m."

Trading profits fared better still, rising 17 per cent to £9.6m.

Turnover, excluding the group's minority stake in British Fuels Limited, which was sold in December 1988, rose from £448.2m to £490.4m. Earnings per share increased from 13.2p to 15.9p and the interim dividend is raised to 4.5p (4p).

Mr Pybus said that "more modest but satisfactory percentage improvements are expected for the full year."

The building services division, the second largest of the group's five businesses, increased profits from £2.8m to £3.3m despite the impact of higher interest rates.

Increases were also achieved in the environmental services division, which benefited from the acquisition of Go Plant, a supplier of specialist cleaning vehicles.

But the electrical supplies division was adversely affected by the slowdown in high street spending and profits were flat at £1m. In the transport services division, profits fell from £900,000 to £800,000, reflecting the continued decline in the bulk coal traffic business.

Gearing has fallen to 10 per cent as a result of the sale of the British Fuels stake. AAH received £39.1m of loan stock for the sale, the interest on which more than compensated for the loss of earnings.

Meditel, the company's computerised drug information system, has just received and revenues are expected to accrue from next year.

● COMMENT

With the UniChem affair now behind it AAH can resume business as usual in expanding its core pharmaceuticals business. It will be hard to win back custom from those already involved in the UniChem scheme but there is no further pressure on market share. On the upside, legal damages may be awarded and, come UniChem's flotation, there will be a large chunk of new business up for grabs as UniChem stakes are cashed in. In the shorter term, the outlook for building services, electrical distribution and transport services is fairly gloomy but 70 per cent of trading profits now come from pharmaceuticals and environmental services and these are relatively well protected against a slowing economy. Full year pre-tax profits should climb to about £35m placing the shares on a prospective multiple of 11. The company has defensive merits and Meditel is a potentially lucrative product, but this is already largely in the price.

Acquisitions spur Wagon Industrial to over £8m

By Richard Tomkins, Midlands Correspondent

WAGON Industrial Holdings, the Shropshire-based manufacturing group, lifted pre-tax profits by 60 per cent to £8.34m in the half-year to September 30 but repeated the caution it expressed in June about the outlook for the UK economy.

Part of the increase came from acquisitions – notably Banro Industries in July 1988 and La Ferretera Vizcaina of Spain in March 1989 – which contributed £3.1m (£874,000) to the pre-tax figure.

The 21 per cent growth in profits from existing activities nevertheless helped produce an 11 per cent growth in fully diluted earnings per share from 12.68p to 14.06p.

The interim dividend is raised from 5.25p to 5.75p.

The best performance came from the materials handling and storage division, where Link 51 moved strongly ahead and Radford of Bristol turned round into profit.

La Ferretera, new to this division, came up to expectations.

Engineering also did well against a firm market background, with Oleo Pneumatics launching a number of products in international railway markets.

High UK interest rates, however, affected the office equipment division, where a tendency among British customers to defer orders contrasted with a good performance from Vinco in France.

In automotive products, too, there was a sharp fall in demand for Edward Rose's microwave oven bodies: and Link Plastics incurred losses because of delays by a customer in calling off plastic engine components from a new £2m production line.

Mr John Hudson, chief executive, said high UK interest rates were undoubtedly having an impact on demand. Some companies in the automotive products division, for example, had recently experienced schedule reductions from a number of customers.

However, Mr Hudson said that about 40 per cent of Wagon's sales were now overseas, and this balance led him to believe that the results for the year would continue to show progress.

● COMMENT

Wagon's share price is a pale shadow of the 391p it saw earlier this year, but with the market as bearish as it is on Midlands engineers, it needed little prompting to knock it down another 5p to 313p. At that level, the gloom may be overdone: true, the company is taking a cautious line, but only 60 per cent of its sales are in the UK and, spread as they are across several sectors, not all seem as vulnerable to high interest rates as Edward Rose's output of microwave oven bodies proved to be. Allowing for a second-half bounce-back from Link Plastics, £18.5m pre-tax looks a realistic target for the year, putting the shares on p/e multiple of 9 – an undemanding figure for a company looking at 10 per cent earnings growth and a prospective yield of 6.5 per cent.

Conroy Petroleum shares rise on zinc-lead find in County Kilkenny

SHARES IN Conroy Petroleum and Natural Resources, a USM-quoted company, rose by 3p to 81p yesterday after it announced that a new zinc-lead deposit had been found at its Galmoy project in County Kilkenny in the Irish Republic.

The new deposit is about 700 yards from from the ore body previously outlined by Conroy during work on a final feasibility study.

Mr Richard Conroy, chairman, said the mineralisation appeared to be of ore grade. Assay results from the first diamond drill hole indicated a combined zinc-lead grade of 11.01 per cent (10.26 per cent zinc and 0.75 per cent lead) over 13.12 feet at a depth of 345 feet.

Conroy has already outlined mineable ore reserves of 6.7m tonnes at Galmoy which independent consultants said are capable of supporting a 550,000 tonnes a year underground mining operation for 12 years.

IN BRIEF

AC HOLDINGS has disposed of its holding of 12m shares in Dart Corp, an investment company listed on the Australian stock exchange. The shares were disposed of in two tranches for a total of £2.7m. The proceeds will be used to reduce borrowings and expand activities of principal hotels.

AMERICAN MEDICAL International is selling Singapore hospital to National Medical Enterprises. Terms not disclosed.

BODY SHOP has conditionally contracted to sell certain assets and goodwill relating to the franchise of the Edinburgh area to Blairwood, a company controlled by Michael and Joan Ross. Consideration is about £1.7m.

EGERTON TRUST's commercial property development subsidiary, Egerton Developments, has disposed of its Stansstead Industrial Park site in Standstead Abbotts, realising a profit of £2.3m and reducing group borrowings by £4.3m.

EPICURE INDUSTRIES has sold four businesses making up the bulk of its construction division, enabling it to concentrate on manufacturing and engineering. The purchaser, Colas Roads, paid £2.32m cash. Epicure also received £518,000 repayment of inter-company loans.

EQUITY & LAW is selling its life assurance operation in Spain to Scottish Provident.

LONDON AMERICAN Ventures Trust: Net asset value as at September 30 was 69.5p (71.3p). Revenue before tax for the six months to end-September amounted to £446,000 (£263,000). Loss per ordinary share 0.39p (0.2p)

SCOTTISH CITIES Investment Trust: Net asset value at September 30 was 910p. Gross revenue £1.3m (£1.57m). Pre-tax profit £1.08m (£1.36m). Tax £269,000 (£398,000) leaving earnings of 24.2p (28.8p). Final dividend of 17p (20p) makes 24p (27p).

SCOTTISH AND Mercantile Investment Trust: Net asset value per 5p ordinary and A ordinary share at September 30 was 126.8p against 107.4p a year before. Gross income for the six months to end-September £794,000 (£747,000) and net revenue £434,000 (£402,000). Earnings per ordinary and A ordinary were 1.64p (1.5p). Interim dividend is 1.2p (1.4p).

YEARLING BONDS: The interest rate for this weeks issue of the local authority bonds is 14¾ per cent, down ¼ of a percentage point from 3 weeks ago, and compares with 12½ per cent a year ago. The bonds are issued at par and are redeemable on November 21 1990.

Acquisitions help Ultramar to double third quarter profits

By Steven Butler

ULTRAMAR, the diversified oil group, yesterday reported strong growth in third-quarter earnings, reflecting sizeable acquisitions made at the end of last year.

Third quarter turnover rose from £263.9m to £428.6m on a year-to-year comparison, while net profits more than doubled from £7.1m to £15.5m.

Earnings per share also moved strongly ahead, rising from 2.4p to 4.2p.

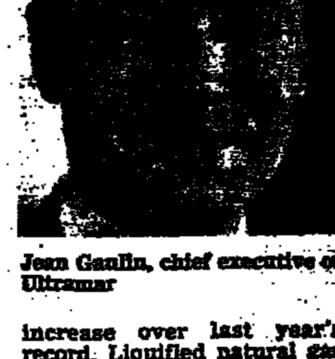
Profits from operations rose steeply in the first nine months to £76.2m (£30m), although on a net basis the increase is smaller because of a £17.6m exceptional item last year. Earnings per share have risen by 24 per cent to 20.8p in the first nine months.

The bulk of the improved performance is accounted for by an increase in refining and marketing profits from £16.7m to £25.7m. In this total £5m of the increase was accounted for by the US west coast operation where Ultramar has acquired the Wilmington refinery.

Eastern Canadian profits were up by a smaller amount, reflecting tighter refinery margins and a lower throughput due to installation of new equipment, which was commissioned in October.

Oil product sales averaged 345,200 barrels a day in the first nine months, a 54 per cent increase, while refinery throughput rose 73 per cent to 174,300 b/d.

Oil production for the nine month period averaged 28,300 b/d, while gas production came to 467.8m cu ft a day, for a total of 106,300m b/d on an oil equivalent basis, which is a small


Jean Gaulin, chief executive of Ultramar

increase over last year's record. Liquified natural gas deliveries to Japan rose to 112 cargoes in nine months.

Third quarter profits from oil production rose from £2.6m to £6.7m, reflecting higher prices as well as increased output.

Ultramar said contruction of a fifth LNG train in Indonesia was proceeding on schedule, but that a delay in completing a receiving terminal in Taiwan would postpone sales to that country until the second quarter of next year.

Cash flow for the nine month period rose 75 per cent to £194.1m.

Ultramar yesterday also announced a swap of North Sea assets with Elf UK, part of the French oil group, as part of an effort by both companies to rationalise exploration acreage holdings. Ultramar is acquiring interests in three blocks where it already has smaller holdings.

Armstrong board accepts Caparo's £98.6m offer

By John Ridding

THE BOARD of Armstrong Equipment yesterday decided to accept the offer for the company from Caparo Group, the private holding company headed by Mr Swraj Paul, and advised shareholders to do likewise.

The bid, which was launched in September and which values Armstrong at £98.6m, has become unconditional.

Armstrong said that while it still believed the price did not properly reflect either the record of Armstrong or the performance of its management it was not in the interests of shareholders to remain as minority shareholders in Armstrong.

All of Armstrong's non-executive directors are to tender their resignations but the position of the executive directors is as yet unchanged.

Mr John Pratt, finance director said that "the past is the past and it is our duty now to ensure a smooth transition."

According to Armstrong, Caparo will make an offer for the company's preference shares.

McLeod Russel shows annualised improvement

MCLEOD RUSSEL, involved in activities ranging from plantations and property investment to knitwear and containers, reported pre-tax profits of £8.74m for the year to September 30 compared with £10.17m for the previous 18 months period – on a strict per annum basis, an overall improvement of some £1.96m.

The directors said the successful disposal of the company's Kenyan interests marked the end of the first phase of the board's strategy of re-aligning the group's activities away from the emphasis on overseas plantations to UK-based business, so as to improve the quality of earnings.

Turnover for the year was £40.18m (£55.22m for 18 months.

After tax of £2.23m (£3.54m) and minorities of £6,000 (£47,000), earnings per share emerged at 14.41p (14.5p). The final dividend is 2.75p (2.25p) to make a proposed 5.25p (6.75p for 18 months).

BOARD MEETINGS

TODAY

Interims- Bank of Ireland, British Gas, British Steel, British Telecom, Coloroll, Locker (Thomas), Regalian Properties, 600 Group, Shires Investment, Sketchley, Thorn EMI, Wellcome, Witan Investment.

Finals- Burton, Omnitech.

FUTURE DATES

Interims-	
Anglo United	Dec. 5
BET	Nov. 20
Black Arrow	Nov. 21
Brown & Shipley	Nov. 17
City of London PR	Nov. 21
Crosby (James)	Dec. 5
Hewetson	Nov. 27
KCA Drilling	Nov. 17
Normans	Nov. 20
Scantronic	Nov. 21
Verson International	Nov. 28
Wood (SW)	Nov. 28
Finals-	
Blick	Dec. 12
Diploma	Nov. 28
Moran	Nov. 24
Anderson Electronic	Nov. 28
TMD Advertising	Dec. 6

BUSINESS LAW

Personal injuries compensation awards move closer together in the US, UK and Germany

By A.H. Hermann

IT IS widely believed that US compensation awards for personal injuries far outstrip those which can be obtained in Europe, and, no doubt, they sometimes do.

As Lord Denning once said: "English litigants are attracted to US courts as moths to light." The remark prompted Professor Basil Markesinis, Denning professor of Comparative Law in the University of London, to inquire recently, "What happens to the moth ?"

Constantly on the move between the Universities of Texas, London and Leyden, Professor Markesinis has had considerable opportunity to compare not only legal doctrines but also the workings of the different judicial systems.

In his Atkin lecture, delivered last week, he presented the somewhat surprising results of his research into the working of personal injuries litigation in the UK, US and Germany.

His conclusion was that, taken at their median values, the awards obtained in the three jurisdictions do not differ so greatly as is generally assumed, although the legal process leading to the award does.

The occasional, widely publicised mega-awards by US juries must be viewed against the background of the uncertainties inherent in a system of elected and politically motivated judges.

"The moth attracted to the light often gets burned."

As an illustration of the uncertainties and hazards of the US system, Professor Markesinis analysed the little known background to the more than £100m "mid-Atlantic" settlement in the Piper Alpha oil rig disaster.

This relatively generous settlement offer compared with anything the victims and their families could have hoped to recover in the UK was made by Occidental in the knowledge that the families could have brought their claims successfully in the US courts.

Claims could have been brought in either Louisiana or Texas.

Louisiana, where no punitive damages can be awarded, where a claim by a widow excludes all other claims by relatives, and where litigation has to be started within one year, was certainly not attractive.

The occasional, widely publicised mega-awards by US juries must be viewed against the background of the uncertainties inherent in a system of elected and politically motivated judges. "The moth attracted to the light often gets burned."

In Texas, however, the situation appeared favourable for the claimants because of a recent decision of the Texas appeal court in the case of *Al Faro v Dow Chemicals* (1988) SW 2nd 28.

In this case the trial judge accepted jurisdiction but refused to deal with the action on the ground that a Puerto Rican court of the plaintiff's domicile could deal with the matter more conveniently.

His decision was overturned by the Texas appeal court which said that the plaintiff had an "absolute right to choose a Texas court."

On this basis the bereaved families of the victims of the Piper Alpha oil rig disaster in the North Sea thought they had a good chance of winning their case in Texas.

Occidental thought much the same and made the settlement offer.

A month later, however, a newly elected (and very conservative) Supreme Court of Texas issued a "writ of error," calling the appeal court decision in the *Al Faro* case into question.

The writ of error requires the concurrence of four out of the nine justices of the Supreme Court and its issue was therefore a strong indication that the appeal court's ruling, that the plaintiff had an absolute right to choose Texas, would not survive.

Had the Piper Alpha negotiations continued for another month, the writ of error would have been enough to take the bite out of the threat of US litigation.

Litigants should beware, said Professor Markesinis, of the shifting ground of the US legal system and the sudden changes brought about by elected judges.

It was not such a plaintiff's paradise as is sometimes believed.

To this, one is tempted to add that litigants do not enjoy any greater security in the UK, where judges are not elected but appointed by a secret process.

Perhaps because of the centralised nature of the appointment procedure, the reversals of judicial attitudes come in broad waves, such as the one which swept away the liberal era of Lord Denning, and replaced it by one dedicated to a more formalistic, literal – and sometimes almost metaphysical – interpretation of law.

Professor Markesinis has amassed a redoubtable array of statistics, not only on the size of awards in the three jurisdictions, but also on the incidence of litigation, the numbers of judges and lawyers and on the frequency of settlements.

He rightly discounts the value of statistical comparison when it comes to numbers of judges and lawyers who have greatly different functions – the adding of apples and pears may provide only an inadequate picture of the fruit basket – but the figures do bring out quite clearly how very different are the machineries of justice in the three jurisdictions and how very important it is to study not only the laws but also the machinery which gives them effect.

The figures do, however, show convincingly that, with the exception of medical malpractice claims which are increasing more rapidly at present, the growth in US tort (civil wrongs) litigation does not outstrip the growth of population and that, contrary to the prevailing opinion, Europeans go to court as often as Americans.

The difference between the US and the European scene comes out more clearly when one considers separately the categories of automobile and other routine accidents (which are declining in the US as a percentage of court actions); malpractice and product liability actions (which are a growing industry in state courts and even more so in federal courts); and mass latent injury cases (which have a potential for explosive growth as a result of new methods for detecting the injury).

Comparing the size of US and European awards, the difference shrinks dramatically if, instead of averages, one looks at median values and eliminates distortions, such as the effect of the National Health Service on medical costs and the fact that in Europe legal costs are awarded separately while in the US they are, as contingency fees, mostly part of a single award.

The differences between the individual states of the US may be greater than the differences between the US on the one hand and the UK and Germany on the other. The two common law systems appear to manage with smaller number of judges than in Germany.

Indeed, Professor Markesinis' research seems to indicate that the differences between the individual states of the US may be greater than the differences between the US on the one hand and the UK and Germany on the other.

The two common law systems appear to manage with a much smaller number of judges (compensated by a much greater number of lawyers) than in Germany.

This may be explained by the more active and "managerial" role of German judges which in its turn leads to lower costs of litigation and a much greater proportion of cases being determined by the judge rather than by a settlement agreed between the parties.

This is somewhat surprising, as German lawyers can increase their fees by as much as 50 per cent if they achieve a settlement.

The tenor of the lecture, which rang clearly over the confusing voices of statistics, was that a doctrinal analysis, so beloved by learned journals, gives only an incomplete picture.

To get the whole picture it is necessary to take into account the impact which the institutional, social and political background has on the operation of legal rules; and how well this impact of social forces and a more complete picture can be brought out by comparing the operation of different legal systems.

The author is D J Freeman & Co Senior Research Fellow in International Trade Law at Queen Mary and Westfield College, University of London.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
1st qtr.	[illegible]	[illegible]	31.3	117.0	116.7	[illegible]	249.9
2nd qtr	[illegible]	112.4	[illegible]	118.7	122.7	2,364	255.2
3rd qtr.	110.5	115.6	32.5	120.1	[illegible]	[illegible]	244.3
4th qtr.	110.1	117.6	32.4	127.0	135.4	2,101	264.9
November	110.5	116.7	32.4	120.7	145.2	2,105	265.2
December	109.7	118.6	[illegible]	121.1	151.9	2,047	[illegible]
1989							
1st qtr.	108.6	118.6	36.7	121.5	128.4	1,962	230.7
2nd qtr.	[illegible]	118.4	37.5	122.3	132.7	1,824	222.2
3rd qtr.				121.7	134.7	1,742	210.3
January	[illegible]	[illegible]	35.4	119.5	124.3	1,990	236.2
February	108.2	118.6	[illegible]	122.1	128.6	1,948	236.1
March	108.6	118.4	36.7	122.6	127.4	1,917	222.9
April	108.2	117.4	38.1	120.9	131.6	1,886	222.1
May	107.8	118.2	37.5	124.5	133.4	1,830	219.2
June	107.9	118.7	37.5	121.6	133.9	1,810	226.4
July	108.5	119.2	38.2	121.9	136.6	1,767	219.3
August	111.1	120.6	38.2	121.6	134.9	1,745	216.7
September				122.3	133.9	1,696	218.4
October				121.4			

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.5	109.9	102.6	110.1	120.3	100.9	22.3
3rd qtr	113.5	112.9	102.6	114.8	121.7	102.1	20.4
4th qtr	113.7	115.6	106.6	116.6	124.3	101.7	18.4
November	114.2	116.1	107.1	117.6	128.6	101.9	21.4
December	113.8	115.5	106.9	116.8	126.9	100.8	14.2
1989							
1st qtr.	114.3	118.6	104.2	118.3	128.4	98.5	17.9
2nd qtr.	114.6	117.6	102.1	118.9	129.7	98.7	18.6
January	113.8	120.1	104.4	119.9	127.9	98.8	18.5
February	113.7	118.7	104.2	118.8	129.0	100.8	19.4
March	115.3	118.4	104.0	118.8	128.0	98.8	15.8
April	114.7	115.1	104.8	118.6	130.0	98.8	19.4
May	115.1	118.5	100.8	118.9	122.8	98.8	19.6
June	114.5	120.9	100.6	119.2	118.9	98.8	17.7
July	116.3	121.4	102.8	120.6	120.9	98.8	16.6
August	114.6	122.9	105.5	121.9	120.9	98.8	14.9
September							13.8

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	122.8	-4,038	-3,081	+730	97.9	44.64
2nd qtr	114.9	128.2	-4,399	-2,761	+965	97.1	48.82
3rd qtr	112.3	134.8	-5,724	-4,419	+637	97.3	50.40
4th qtr.	107.8	134.7	-6,465	-5,306	+289	98.7	51.68
December	109.8	132.2	-1,815	-1,446	+152	97.5	51.68
1989							
1st qtr.	112.8	140.4	-6,066	-4,777	+241	98.7	50.46
2nd qtr.	114.7	140.2	-6,374	-4,997	+280	98.9	43.47
3rd qtr.	117.8	148.5	-6,794	-5,686	+154	98.3	42.98
January	117.3	145.1	-2,047	-1,646	+115	98.9	51.71
February	105.4	138.8	-2,215	-1,814	6	98.8	51.88
March	116.8	136.2	-1,716	-1,317	+126	98.7	50.46
April	111.5	140.8	-2,175	-1,853	+134	98.9	47.28
May	113.4	138.4	-1,725	-1,402	+68	98.9	46.98
June	117.8	142.1	-1,874	-1,852	+90	98.9	43.57
July	115.5	148.2	-2,547	-2,247	+61	98.3	43.82
August	111.1	141.1	-2,368	-2,096	+57	98.7	43.21
September	125.5	148.5	-1,949	-1,649	+36	98.9	42.88
October							38.06

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.8	14.8	18.6	+22,368	4,173	+1,022	8.38
3rd qtr.	7.7	16.8	16.5	+22,482	3,152	+980	11.88
4th qtr.	7.7	16.8	17.5	+19,680	3,168	+767	12.79
December	7.7	16.8	17.5	+7,380	819	+286	13.00
1989							
1st qtr.	6.7	16.2	18.4	+21,236	2,601	+814	13.00
2nd qtr.	6.3	12.6	18.9	+21,215	1,735	+866	14.00
3rd qtr.	6.0	16.7	18.8	+26,222	2,365	+799	14.00
January	7.2	18.4	18.8	+8,479	794	+241	13.00
February	6.6	15.7	18.5	+4,798	1,064	+283	13.00
March	6.2	15.2	18.4	+7,777	813	+310	13.00
April	6.7	15.9	18.1	+7,127	1,175	+322	13.00
May	6.2	14.4	18.5	+6,887	713	+487	14.00
June	6.5	12.6	18.8	+6,868	-153	+168	14.00
July	5.8	16.5	17.1	+7,578	946	+205	14.00
August	6.7	16.5	17.8	+8,443	821	+288	14.00
September	4.2	16.7	18.8	+10,289	818	+161	14.00
October							15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1988							
1st qtr.	95.4	98.9	111.0	103.7	102.5	1,747	[illegible]
2nd qtr	98.7	97.5	112.0	106.2	104.6	1,817	[illegible]
3rd qtr.	100.8	98.3	113.5	108.6	104.7	1,902	[illegible]
4th qtr.	104.1	100.1	115.2	109.9	105.7	1,887	[illegible]
November	102.7	98.8	115.2	110.0	105.7	1,866	[illegible]
December	108.9	102.6	115.4	110.3	106.6	1,821	[illegible]
1989							
1st qtr.	105.4	102.6	116.8	111.7	107.8	1,976	97.1
2nd qtr.	109.6	104.4	118.2	114.9	110.2	2,018	93.8
3rd qtr.		103.1	119.5	116.0	110.7	1,912	91.7
January	104.2	104.8	116.4	111.0	107.4	1,989	97.9
February	104.6	101.9	116.8	111.8	107.7	1,954	97.4
March	107.3	102.4	117.2	112.3	108.3	1,996	96.9
April	107.3	106.0	117.6	114.3	109.6	2,016	95.5
May	107.6	104.7	118.3	115.0	110.3	2,019	94.2
June	109.1	104.7	118.6	115.4	110.7	2,027	91.1
July	110.3	103.7	119.0	115.5	110.1	1,948	92.2
August	109.1	102.7	119.6	115.8	110.6	1,992	91.6
September		103.9	120.0	116.6	111.3	1,969	91.3
October		104.2	120.5			1,959	88.7

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

COMMODITIES AND AGRICULTURE

Dutch trader questioned over lead-poisoned feed

By Laura Raun in Amsterdam

THE DUTCH authorities are questioning the owner of de Bruijn, an animal feed merchant, as part of an investigation into lead-poisoning of cow fodder that has affected 1,800 farms in The Netherlands and Britain. Crown prosecutors are seeking to establish whether the criminal charge of knowingly selling damaged goods capable of endangering public health and not informing the buyer should be brought against Mr C.A. de Bruijn.

Mr de Bruijn may be released today by authorities in Breda, south of Rotterdam, after being taken into custody on Tuesday when the investigation was launched.

De Bruijn sold rice bran contaminated with lead and zinc to Drogerij Marknesse, which processed it into high-protein maize gluten replacer pellets that have caused the death of about 100 cows and the halting of milk sales from affected farms. No consumers have reported health problems but the affair has raised questions about the food chain's vulnerability to contamination.

Mr John Gummer, the UK Minister of Agriculture, has said in the Commons that the European Commission was contacted to request urgent investigation of he possibility that the incident was the result of criminal activities. The Dutch acknowledge evidence of wrongdoing – perhaps criminal – but have consistently eschewed talk of a conspiracy among companies systematically to pass along damaged goods.

Crown prosecutors in Breda, near the Belgian border, said yesterday that it could take a couple of weeks before a decision was reached on whether to prosecute anyone.

De Bruijn, which specialises in salvaging damaged animal feed, has argued in a separate legal claim that it was never informed of lead poisoning and knew only of zinc contamination when it acquired the rice bran. The bran was imported from Burma by Toepfer, a West German company, and then forwarded to Antwerp.

De Bruijn received about Belgian Francs 112,000 to take the consignment because it was contaminated. According to legal documents filed in a separate commercial claim, Toepfer learnt that the bran contained lead after passing it to De Bruijn, but assumed de Bruijn had destroyed the 188-tonne consignment because of a bill from the company. De Bruijn said it decided against destruction because the zinc concentration was considered safe for animal consumption. The pellets processed from the bran were sold by Rovegrha, the marketing arm of Drogerij Marknesse to Slump, a Dutch animal feed company, in The Netherlands and to merchants and farmers in Britain.

The answer to the question of whether the killer fodder is the result of negligence or a criminal conspiracy is vital to The Netherlands, which is the world's largest exporter of dairy products and one of the biggest exporters of farm products overall. Rotterdam is a leading European centre for the import, trade and mixing of animal feed – a sophisticated business using computers to combine raw materials.

The Netherlands also prides itself on being a distribution point for the Continent.

Another key question is whether quality control should focus as much on intermediate products as on end products, particularly in the food industry. With an eye on the barrier-free Europe after 1992 the European Community is considering whether to set uniform quality standards for raw materials.

UK outlines payments for nitrate reductions

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government is likely to offer farmers between £40 and £250 a hectare as compensation for voluntary new restrictions on the use of nitrate fertilisers.

The compensation would be offered as part of a package designed to reduce nitrate use in certain designated 'nitrate sensitive areas.' The measures would be taken in the interests of purer drinking water, as required under European Community directives.

Mr John Gummer, the Agriculture Minister, announced last July that pilot nitrate sensitive areas would be set up in 1990. However, the amounts of compensation likely to be on offer have now been disclosed for the first time, in meetings currently being held with farmers, conservationists, water authorities and other interested parties in the NSAs themselves.

According to officials, levels of compensation are likely to vary among the NSAs and will not finally be set until the spring. The measures needed to reduce nitrate use could also vary locally, they say.

The Government is proposing a three-tier system of measures to restrict nitrate leaching.

In 12 areas, ranging from 3,000-4,000 hectares in Lincolnshire to much smaller areas in Derbyshire and Somerset, *farmers will be offered* compensation either substantially to reduce their use of fertilisers under a 'basic' scheme, or under a 'premium' scheme, to stop using them altogether in favour of different cultivations, notably permanent and possibly ungrazed grassland.

A further nine areas, from Norfolk to Devon, are described as being subject to an "intensive advisory campaign" only: here, though decreased use of fertilisers will be encouraged, there will be no compensation.

Under the basic scheme, where compensation will start at £40 a hectare, restrictive measures will include maximum rates of fertiliser, manure and animal slurry applications, no stubble burning after harvest, and the sowing of cover crops, instead of leaving land bare, during winter.

Mr David Naish, deputy President of the National Farmers' Union, said yesterday that at the levels of compensation being suggested "many farmers would be severely out of pocket." He hoped the Government's figures, which were inadequate as they stood, would prove to be the starting point for negotiations, which should be on a farm-by-farm basis.

RTZ announces Northern Ireland gold discovery

By Kenneth Gooding, Mining Correspondent, in Madrid

THE RTZ Corporation has struck gold in Northern Ireland. There are already clear indications that the prospect, near Omagh in County Tyrone, could be developed into a mine in the early 1990s.

The gold was found in a 120 sq km licence area snapped up by RTZ in 1985 after Ennex International, a Dublin-based, USM-quoted natural resources company, revealed it had found precious metal in the nearby Sperrin Mountains.

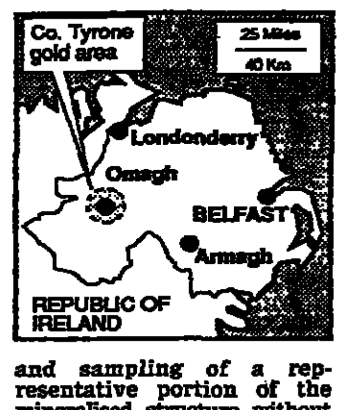
Shortly after starting serious exploration in 1986, RTZ's team became convinced that its hunch was likely to pay off when it found lying in a field a boulder containing five ounces of gold.

The find is 10 kilometres north-east from Ennex's and is one of at least six new gold discoveries in a belt running north-east from Mayo in Ireland through to Aberdeenshire in Scotland.

A team from Riofinex North, RTZ's exploration arm for Europe, which discovered and is developing the project, gave some details yesterday at a conference in Madrid organised by International Mining magazine and the Mineral Industry Research Organisation.

It said 25 diamond drill holes and the excavation of a 212 metre-long trench had shown the gold-bearing rock to be up to 20 metres wide and to extend to a depth of 300 metres. The weighted mean grade for the trench was 7.6 grams of gold a tonne, 19.9 grams of silver and 0.9 per cent lead.

RTZ removed 40,000 tonnes of waste material so as to carry out the detailed examination



and sampling of a representative portion of the mineralised structure without incurring the cost and security risks of underground exploration.

Riofinex refused to give estimates of how much gold there might be in the deposit but Mr Rob Davies, analyst with Shearson Lehman Hutton's mining team, said the information available suggested that there might be about 250,000 ounces, enough for a modest mine which would process 100,000 tonnes of ore a year to produce about 25,000 ounces of the precious metal.

While this scale of gold mining would delight many junior companies, Mr Davies thought the project would be too small for RTZ, the world's biggest mining company, and would probably be sold after being brought to the development stage.

Riofinex intends to continue to add value to its find by completing an environmental impact study and then to seek planning permission for a mine, probably at the end of next year.

In addition to the risks normally associated with gold mining, security is a problem in the area because of IRA activity.

With this in mind, Ennex attempted to develop its Sperrin Mountains project without using explosives. But its unorthodox methods proved to be slow and expensive so development was suspended in June this year while Ennex considered what other methods it might use.

Riofinex indicated yesterday, however, that it believed the security problems were manageable, partly because it would use open-pit mining rather than go underground like Ennex. Therefore blasting would be less frequent than in underground mining.

Brazil calls for realism on coffee agreement

By John Barham in Sao Paulo

MR JORIO Dauster, president of the Brazilian Coffee Institute (IBC), has cautioned against speculation that next week's meeting in Costa Rica of coffee industry representatives could see a revival of the International Coffee Agreement's defunct export quota system.

He said on Tuesday that "every time there is one of these meetings, there is speculation that a new accord will emerge. The markets should see these events realistically and not expect any concrete outcome."

Mr Dauster recalled that "at last month's meeting of the ICO, member countries agreed to continue periodic consultations and when demands became more mature, negotiations on a new accord would continue."

At a meeting of regional heads of state in Costa Rica last month, representatives of Central American producers unsuccessively tried to press Brazil to agree to a new price support scheme. Colombia agreed to accept a cut in its export if Brazil, the biggest exporter, did the same.

The accord had collapsed in July in part because Brazil rejected attempts by other producing countries to reduce its share of ICO export quotas. And since then Brazil has shown little interest in reviving the pact, preferring to concentrate on maximising its market share.

The accord bound consuming countries to buying coffee at artificially high prices and prices have fallen sharply since July as producers have joined in a bitter battle for market share.

Jute Council meets in Bangladesh

By Reazuddin Ahmed in Dhaka

JUTE PRODUCERS' representatives gathered here yesterday for the first meeting of the 22-member International Jute Council since the decision earlier this month to have another 5-year International Jute Agreement when the current one expires in 1991.

Mr Harvan Singh, the executive director, said that decision had "rejuvenated the future of jute" – the fibre used for sacking and carpet-backing of which Bangladesh is the biggest producer.

With the backing of the international community and growing awareness of jute's environmental attractions world demand for the fibre would increase, he predicted.

Cocoa price falls to fresh low

By David Blackwell

COCOA prices continued to fall yesterday although the emergence of manufacturer buying stemmed the slide. March cocoa on the London Futures and Options Exchange (Fox) closed at £675 a tonne, down £8 Tuesday level, after touching £668 a tonne earlier.

Some analysts are now talking of prices falling as low as £600 a tonne. All agreed it would continue the downward spiral.

Reports that the Ivory Coast, the world's biggest producer, has sold up to 50,000 tonnes of cocoa over the past few days were unconfirmed. But selling from Brazil, Malaysia and Ghana kept the pressure on both the London and New York markets, and triggered some computer fund selling.

There has also been a lot of grading activity for delivery against the December contract on London Fox. The open position on the contract has fallen by about 1,500 lots (10 tonnes each) this week, and the premium for December over March has narrowed from £48 a tonne on Monday to £34 a tonne yesterday. Fox yesterday increased trading margins to £500 a tonne from £350 on December cocoa.

Malaysia plans gradual ending of log exports

By Lim Siong Hoon in Kuala Lumpur

THE MALAYSIAN Government has announced that it wants gradually to stop all exports of logs. It gave no more details.

Log exports earned the country 4bn ringgit (£940m) last year, accounting for 7 per cent of overall export trade, and R4.2bn is expected this year.

Nearly 70 per cent of Malaysia's output, 36.5m cubic metres last year, comes from two states, Sabah and Sarawak, the revenues of which are overwhelmingly dependent on log and timber export sales.

A time-table for a complete ban on log exports will require agreement between the federal and state governments, which have constitutional jurisdiction on land matters, Mr Ghafar Baba, the Deputy Prime Minister, says compensation will be given to the logging companies and both the state governments but the amounts have yet to be worked out. Malaysia's decision follows similar plans by the Philippines and Indonesia to restrict their timber exports and Malaysia itself would begin to impose restrictive export taxes on sawn timber next March.

These decisions have led to rapid rise in prices – in dark red meranti (DRM), for example, according to figures by the Malaysian Timber Industry Board. At 1,023 ringgit a cu m, the July DRM price had risen 18 per cent since January, and 45 per cent from a year earlier.

Malaysia's proposal to prohibit log exports has also come amid pro-environmental pressures from abroad, particularly a campaign to discourage Japan from buying hardwood. Japan takes two-thirds of Malaysian log exports.

The prohibition has nothing to do with these pressures, Mr Ghafar insists, but rather it is to steer the country into "downstream" production of timber products, such as furniture. For conservation to work, and without it hurting the economies of hardwood exporters, the Malaysian Government argues that traditional import relief for mere wood should now be shifted to manufactured wood products.

But this may not be happening. Mr Leong Khee Seong, the former Primary Industries Minister, complained last week that Austria, which he visited as chairman of the Gatt team on tropical timber, had withdrawn import privileges on veneer sheets and plywood.

Price fall hits earnings from bumper Malawi tobacco sale

By Mike Hall in Blantyre

DESPITE A large increase in burley sales, the value of this year's Malawian tobacco crop – the mainstay of the country's economy – is down significantly on last year's record.

When the auctions closed at the end of October, burley sales topped 61m kg, up from 45.5m kg in 1988. But average prices were down from 5.24 kwacha (£1.20) a kilogram last year to only K3.70, with the overall value down by 5 per cent. A burley crop of some 55m kg is forecast for 1990.

"Buyers had anticipated a smaller crop in the United States, but as it turned out we were faced with global oversupply," says Dr Willie Lipato of the Tobacco Control Commission. "Quality was also affected by heavy rain."

This small Southern African nation accounts for about 15 per cent of world exports of burley tobacco, for which demand is rising steadily as American-style, low-tar cigarettes become more popular.

Traders say Malawi could expand output to 70m kg over the next three to five years if quality was assured.

Production is currently restricted to commercial estates but the Government is considering introducing burley as a cash crop for small peasant farmers to encourage more equal income distribution in rural areas as part of the IMF-World Bank backed structural adjustment programme.

This year's flue-cured virginia crop was slightly down from last year's 20.4 kg to 19.8m kg, but average prices dropped 4 per cent to K5.05 per kilogram. There is concern that a further decline in the flue-cured crop may prompt buyers to turn to suppliers whose production is higher and more stable, such as Zimbabwe. "Malawi is reaching a very critical stage," said one buyer.

"It is a worry," says Dr Lipato. "But I'm confident that we can boost output next year."

The trade has indicated a demand for 25m kg.

Production of fire-cured and sun/air-cured tobacco was significantly lower, declining by 38 per cent to 5.3m kg, although average prices – described by one buyer as "ridiculously high" – rose from between K3.88 and K4.50 a kilogram last year to between K5.05 and K6.95 this year.

Malawi has been unable to meet demand because pricing policies have tended to favour other crops, such as groundnuts and cotton. But prices have been revised for next season.

"We hope this will induce more planting," says Dr Lipato. Overall, the value of Malawi's most important export, accounting for more than 60 per cent of exports, is down by about by about K24m (or 8 per cent) from last year's level to K362m.

Foreign earnings are likely to be lower still because of depreciation of the kwacha against major currencies.

WORLD COMMODITIES PRICES

LONDON MARKETS

Copper prices fell on the LME yesterday, once again in sympathy with Comex, where further liquidation emerged following Tuesday's late sell-off. Earlier prices made a partial recovery from depressed overnight levels as Japanese buying entered the market. But the pick-up was short-lived as most major players were still inclined to sell into rallies in the absence of fresh bullish fundamentals, traders said. The market has now failed to breach the $2,650 barrier on several occasions recently and a retreat to the base at $2,550 now seems likely, analysts said. Gold edged ahead, with prices trading in a narrow range as the market paused for a technical correction following recent rises, dealers said. Charts and fundamentals remain constructive and it seems likely targets around $395 and $400 an ounce will be tested soon.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.85-5.95z	-.025
Brent Blend	$18.38-8.42z	-0.05
W.T.I. (1 pm est)	$19.45-9.50z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-184	-1
Gas Oil	$181-182	+1
Heavy Fuel Oil	$100-101	+3
Naphtha	$156-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$391.25	+2.00
Silver (per troy oz)♣	548c	+16
Platinum (per troy oz)	$512.00	-3.25
Palladium (per troy oz)	$140.35	+0.75
Aluminium (free market)	$1725	-30
Copper (US Producer)	122½-125c	
Lead (US Producer)	39c	-2
Nickel (free market)	463c	-5
Tin (Kuala Lumpur market)	18.30r	+0.35
Tin (New York)	371.5c	-3.0
Zinc (US Prime Western)	78¾c	-¼
Cattle (live weight)†	112.54p	+1.28*
Sheep (dead weight)†	200.48p	-5.80*
Pigs (live weight)†	93.64p	+4.06*
London daily sugar (raw)	$378.4v	+5.4
London daily sugar (white)	$404.5v	+5.0
Tate and Lyle export price	£355	+3
Barley (English feed)	£111.0	-1.5
Maize (US No. 3 yellow)	£126.5	
Wheat (US Dark Northern)	£127.0	-0.5
Rubber (spot)♥	57.50p	-0.75
Rubber (Dec)♥	59.50p	-0.75
Rubber (Jan)♥	60.50p	-0.75
Rubber (KL RSS No 1 Dec)	227.0m	+0.5
Coconut oil (Philippines)§	$470v	-5
Palm Oil (Malaysian)§	$305	-10
Copra (Philippines)§	$305	
Soyabeans (US)	£171.0	-1.5
Cotton "A" index	82.25c	+0.10
Wooltops (64s Super)	586p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	709	722	724	704
Mar	675	693	694	668
May	687	693	694	680
Jul	700	710	709	695
Sep	715	725	721	710
Dec	737	744	743	730
Mar	757	765	760	752

Turnover: 13457 (6786) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 14 803.18 (830.65) :10 day average for Nov 14 815.15 (816.41)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	716	720	725	710
Jan	702	710	713	698
Mar	710	716	723	708
May	728	730	738	727
Jul	743	744	752	743
Sep	764	760	768	758
Nov	780	775	775	774

Turnover: 3543 (3387) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 14: Comp. daily 64.16 (63.62). 15 day average 62.23 (62.03)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	337.00	342.20	340.00	338.00
Mar	333.00	337.80	340.00	332.40
May	329.00	333.80	336.60	328.00
Aug	323.00	327.40	328.00	324.00
Oct	312.00	318.00	311.00	
Dec	298.20	301.60	302.00	297.60
White	**Close**	**Previous**	**High/Low**	
Dec	401.00	402.60	402.00	398.00
Mar	397.60	401.50	403.00	398.60
May	402.00	407.00	405.50	401.80
Aug	410.00	415.00	418.50	410.00
Oct	386.00	390.40	387.00	

Turnover: Raw 5274 (4000) lots of 50 tonnes. White 2498 (1450)
Paris- White (FFr per tonne): Dec 2520, Mar 2505, May 2545 Aug 2625, Oct 2470, Dec 2380.

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	176.75	177.25	177.75	176.25
Jan	172.00	172.75	173.25	171.25
Feb	168.00	169.00	168.50	167.25
Mar	162.75	164.25	164.00	162.50
Apr	159.75	160.50	160.25	159.50
May	156.00	158.00	156.75	155.50

Turnover: 7791 (4870) lots of 100 tonnes

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jan	18.35	18.47	18.44	18.33
Feb	18.18	18.30	18.26	18.17
IPE index	18.37	18.53		

Turnover: 7664 (3876)

FRUIT AND VEGETABLES

Oranges at 8-25p each (8-20p) and lemons at 10-20p are superb value, as are Cox's at 28-45p a lb (28-45p) and Bramley's at 20-30p, reports FFVIB. Bananas are 38-58p, kiwifruit 15-25p each (15-25p) and pineapples 60p-£2.00. Brussels Sprouts are 25-35p a lb, English carrots 15-25p, Dutch carrots 10-28p, broccoli 55-70p and cabbage 15-35p. Mushrooms are 35-75p, English onions 15-25p, Dutch onions 14-20p, parsnips 20-40p and potatoes with white varieties 10-16p and red 14-18p. Round lettuces are 20-35p each and red 50-85p. Celery is 25-45p a head (25-40p), watercress 30-40p a bunch and spring onions 25-40p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 23,075 tonne
Cash	1745-50	1735-40		1723-5		
3 months	1725-30	1717-8	1730/1710	1712-3	1728-9	31,892 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,850 tonne
Cash	1645-7	1701-3	1659/1650	1656-8		
3 months	1653-4	1696-7	1673/1652	1659-60	1658-9	74,850 lots
Lead (£ per tonne)						Ring turnover 8,575 tonne
Cash	438-8	435-6	438/437.5	437.5-8		
3 months	436.5-7	434.5-6.5	438/435	435.75-6	438-9	11,498 lots
Nickel ($ per tonne)						Ring turnover 2,076 tonne
Cash	10000-50	10050-100	10025/9975	9975-10000		
3 months	9675-700	9675-700	9725/9650	9700-50	9675-725	6,745 lots
Tin ($ per tonne)						Ring turnover 780 tonne
Cash	6970-90	7025-50	6975	6970-5		
3 months	7085-95	7125-50	7100/7050	7070-100	7090-5	5,093 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 18,800 tonne
Cash	1470-80	1485-90		1463-5		
3 months	1437-8	1438-40	1440/1431	1431-2	1438-42	15,467 lots
Zinc ($ per tonne)						Ring turnover 7,575 tonne
Cash	1435-40	1450-60	1440	1450-2		
3 months	1400-5	1405-15	1410/1405	1405-10	1405-15	2,838 lots

LME Closing £/$ rate:
SPOT: 1.584 3 months: 1.5585 6 months: 1.5381 9 months: 1.5172

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Feb	154.9	147.0		
Apr	204.0	202.8	204.5	202.5
May	229.5	230.0	230.0	229.5

Turnover 260 (361) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Dec	142.00	141.20		
Feb	146.00	145.20	145.50	145.00
Apr	143.50	143.50	143.00	

Turnover 44 (122) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Nov	1670	1663	1670	1660
Dec	1690	1671	1676	1662
Jan	1684	1679	1685	1670
Apr	1688	1684	1688	1680
Jul	1415	1408	1410	
BFI	1648	1646		

Turnover 190 (139)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	108.50	108.55		
Jan	111.75	111.95	112.15	111.75
Mar	115.60	115.90	116.10	115.60
May	119.10	119.18	119.45	119.30
Jun	120.55	120.60	120.90	
Barley	**Close**	**Previous**	**High/Low**	
Nov	107.25	106.75	107.25	107.00
Jan	110.70	110.35	110.80	110.60
Mar	113.75	113.50	113.85	113.70
May	115.60	115.30	115.75	

Turnover: Wheat 124 (100), Barley 223 (255).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	124.5	125.0	124.0
Feb	114.5	113.8	
Apr	114.5	113.8	
Jun	114.5	114.0	113.0

Turnover 64 (40) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	391-391½	246¾-247¼
Opening	391¾-392¼	246¼-246¾
Morning fix	390.5	245.984
Afternoon fix	391.4	247.065
Day's high	392-392½	
Day's low	387½-388	
Coins	**$ price**	**£ equivalent**
Mapleleaf	400-405	252-255
Britannia	400-405	252-255
US Eagle	400-405	252-255
Angel	400-405	252-255
Krugerrand	390-393	246-248
New Sov.	91-93	57½-58½
Old Sov.	91-93	57½-58½
Noble Plat	518.15-526.35	327.3-332.5
Silver fix	**p/fine oz**	**US cts equiv**
Spot	339.05	537.20
3 months	352.20	549.10
6 months	364.00	559.75
12 months	387.90	582.40

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1650	123	111	24	49
1750	63	62	63	97
1850	27	30	126	163
Copper (Grade A)	**Calls**		**Puts**	
2500	151	154	50	118
2600	95	109	93	170
2700	55	75	151	233
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	57	67	6	29
700	23	39	22	51
750	7	39	56	81
Cocoa	**Mar**	**May**	**Mar**	**May**
650	55	70		30
700	32	45	57	58
750	17	28	92	91
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	64	73	30	55
1850	35	47	48	80
1900	15	28	82	

US MARKETS

IN THE METALS, gold, silver and platinum all had volitile sessions, reports Drexel Burnham Lambert. Silver was the most active as prices made a high of 556 basis December. Fund and local buying along with commission house stops fueled the rally. Platinum and gold eased as scattered profit taking and a stronger US dollar weighed on the markets. Copper featured consolidation after Tuesdays heavy declines. In the softs, trade selling pressured the sugar market. Coffee fell due to origin selling. Scattered liquidation kept cocoa from advancing. The grains remained slow except for the wheat. Export business to Russia and China was noted. December wheat gained 4¾ closing at 405. Cotton prices rose after commission house action. The energy complex continued to feature small ranges and slow two sided trade. The livestocks all rebounded after Tuesdays down day. Live hogs posted the biggest gain advancing 137 basis February.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	391.3	393.3	390.0	390.0
Dec	392.8	394.9	393.9	389.3
Jan	395.4	397.4	0	0
Feb	397.8	399.8	399.1	393.9
Apr	402.6	404.5	403.5	400.1
Jun	407.2	409.1	407.6	406.5
Aug	411.6	413.5	412.5	411.5
Oct	416.2	418.1	416.0	416.0
Dec	420.9	422.8	421.8	418.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	515.0	468.9	0	0
Jan	520.4	525.7	522.5	516.1
Apr	525.3	530.5	527.0	521.0
Jul	530.5	535.7	531.5	528.0
Oct	536.3	541.5	537.0	533.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	552.8	540.0	550.0	550.0
Dec	553.8	540.8	558.0	535.5
Jan	556.7	543.7	557.0	557.0
Mar	565.8	552.9	570.0	548.0
May	574.7	560.8	578.0	556.5
Jul	583.0	568.9	585.0	565.0
Sep	591.8	577.3	587.5	576.5
Dec	603.6	589.1	606.0	583.2
Jan	607.2	592.7	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 14	Nov 13	mnth ago	yr ago
1878.1	1868.0	1869.9	1855.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.86	129.50	129.97	134.13
Futures	131.65	131.79	129.72	137.84

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.60	116.75	0	0
Dec	115.50	116.20	115.50	115.50
Jan	114.10	114.20	115.10	114.10
Feb	113.20	113.40	114.30	113.10
Mar	112.10	112.40	112.90	111.70
Apr	110.85	111.05	0	0
May	109.50	109.60	110.00	109.50
Jun	108.75	108.75	0	0
Jul	107.90	107.70	108.60	108.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	19.62	19.50	19.70	19.48
Jan	19.47	19.42	19.54	19.36
Feb	19.32	19.32	19.40	19.23
Mar	19.21	19.22	19.31	19.13
Apr	19.08	19.11	19.17	19.03
May	18.95	19.00	19.07	18.90
Jun	18.89	18.89	18.93	18.82
Jul	18.70	18.78	18.73	18.66
Aug	18.61	18.68	18.68	18.55
Sep	18.52	18.59	18.53	18.52

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	5720	5745	5770	5655
Jan	5730	5755	5775	5675
Feb	5656	5686	5710	5610
Apr	5230	5261	5290	5200
May	5070	5090	5110	5050
Jun	4955	4980	5000	4960
Aug	4960	4990	5000	4980
Sep	5075	5080	5075	5075

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	937	941	949	933
Mar	955	965	970	951
May	965	981	983	962
Jul	984	998	998	980
Sep	1000	1017	1012	997
Dec	1023	1034	1032	1018
Mar	1043	1056	1051	1035

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	76.26	78.74	79.10	75.51
Mar	78.74	80.52	80.80	78.00
May	81.13	83.11	82.90	80.20
Jul	83.29	85.38	85.30	82.70
Sep	85.15	87.25	87.25	84.90
Dec	88.50	89.63	89.75	88.00
Mar	92.50	92.63	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.78	14.90	0	0
Mar	15.00	15.24	15.20	14.99
May	14.77	15.01	14.91	14.75
Jul	14.54	14.78	14.67	14.50
Oct	14.12	14.32	14.22	14.06
Mar	13.40	13.56	13.58	13.51

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	72.85	72.42	73.10	72.25
Mar	75.15	74.55	75.44	74.50
May	76.00	75.50	76.25	75.40
Jul	75.95	75.50	76.20	75.50
Dec	66.90	66.73	67.00	66.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	130.50	129.85	130.50	126.50
Jan	122.80	123.55	123.85	122.80
Mar	122.90	123.30	123.60	122.85
May	123.20	123.50	124.00	123.00
Jul	123.50	123.66	124.00	123.50
Sep	123.75	124.00	0	0
Nov	123.95	123.96	0	0
Mar	123.95	123.96	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	579/4	579/0	580/4	576/0
Jan	591/4	591/6	593/0	588/0
Mar	605/0	605/2	606/0	601/2
May	616/0	616/0	617/2	612/4
Jul	624/2	623/6	624/4	620/0
Aug	625/4	623/4	625/4	622/0
Sep	613/4	610/0	614/0	610/4
Nov	611/6	607/0	612/0	608/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.81	20.05	19.92	19.70
Jan	20.03	20.28	20.15	19.93
Mar	20.45	20.71	20.58	20.36
May	20.79	21.04	20.95	20.72
Jul	21.07	21.33	21.15	20.98
Aug	21.07	21.32	21.12	21.06
Sep	21.12	21.30	21.20	21.12
Oct	21.25	21.41	21.20	21.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	187.4	186.1	187.6	185.9
Jan	186.2	185.0	186.5	184.7
Mar	185.7	184.4	185.8	184.1
May	184.0	182.9	184.2	182.5
Jul	183.3	182.1	183.5	182.0
Aug	182.0	181.0	182.5	181.8
Sep	182.5	181.5	182.5	181.5
Oct	181.5	181.0	181.5	181.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	239/6	240/0	241/6	239/0
Mar	243/2	242/4	244/6	242/6
May	248/6	246/0	248/2	246/2
Jul	250/2	249/0	251/2	249/6
Sep	243/6	242/0	244/2	243/4
Dec	240/4	239/4	241/0	239/4
Mar	247/2	245/2	247/2	246/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	405/0	400/2	405/0	399/0
Mar	408/6	404/2	409/0	404/4
May	388/0	384/4	388/4	384/4
Jul	358/2	355/2	358/4	356/0
Sep	362/6	359/6	363/0	361/0
Dec	373/2	371/0	373/2	372/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.97	74.42	75.20	74.40
Feb	74.42	73.95	74.72	73.95
Apr	74.45	74.17	74.67	74.05
Jun	71.75	71.45	71.95	71.42
Aug	69.90	69.67	70.15	69.70
Oct	69.32	69.00	69.40	69.32

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	49.27	48.22	49.50	48.00
Feb	49.62	48.25	49.72	48.15
Apr	45.85	44.82	45.90	44.55
Jun	49.42	48.87	49.50	48.70
Jul	49.57	49.12	49.65	49.00
Aug	48.47	48.05	48.50	47.90
Oct	43.75	43.30	43.75	43.40
Dec	45.25	44.95	45.25	44.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	63.87	63.15	65.00	62.20
Mar	63.15	62.32	64.22	61.40
May	62.15	60.77	62.67	60.15
Jul	59.82	58.50	60.47	58.05
Aug	57.85	56.60	58.40	56.60

LONDON STOCK EXCHANGE

General welcome for the Chancellor

THE AUTUMN Statement on the UK economy from Mr John Major, the new Chancellor of the Exchequer, received a favourable, if not over-hearty reception in the London equity market yesterday. His speech to the House of Commons was welcomed for its "air of reality", and for his relatively cautious forecasts of UK inflation and international trade prospects. These were seen as "leaving room for positive surprises later on," according to a strategist at a US-based securities firm.

The stock market was also pleased that Mr Major is keeping a relatively tight hold on domestic spending. His prediction of growth of only 1.25 per cent in gross domestic product next year was acceptable to equity analysts. However, his forecast of a final deficit of £20bn on Britain's current account trade deficit this year, falling to £15bn in 1990, returned attention to next week's announcement of last month's trade figures.

Account Dealing Dates

*First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Oct 30	Nov 9	Nov 10	Nov 20
Nov 13	Nov 23	Nov 24	Dec 4
Nov 27	Dec 7	Dec 8	Dec 18

*New time dealings may take place from 9.00 am two business days earlier.

"Sterling is still very definitely the key factor for the stock market," commented Mr John Reynolds from Prudential-Bache, "but the market got what it was looking for from the Chancellor today."

Equity prices, already easier ahead of the Chancellor's statement, turned off briefly as traders watched the foreign exchange markets closely during his speech, but they rallied from their lows before the close. The final reading showed the FT-SE Index at 2,203.4, a net loss on the day of 11.3 points. But early in the session, the Index had been 14.6 down, only just holding on the the FT-SE 2,200 mark which was regained a week ago.

Yesterday brought yet another somewhat depressing trading session which was not helped by the withdrawal from UK equity trading of ANZ McCaughan Securities (UK), a subsidiary of the ANZ bank. Turnover remained well below the level acceptable to the London securities trading community, with Seaq volume at 334.1m shares.

The market was undermined by the effective evaporation of several favoured speculative situations and by poor trading reports from Commercial Union and General Accident which shook the whole of the insurance sector. Wall Street's weakness overnight inspired a dull opening in London.

The speculative mood of the previous session was damped down at mid-morning when, first, Burmah disclosed that SHV of Holland regards its 9.14 per cent Burmah stake as "entirely friendly", and then Elders IXL said that "no sale is imminent" of its near 24 per cent holding in Scottish & Newcastle, the UK brewer.

With these two important bid stories returned to store, at least for the present, the equity sector was left with little to do but wait for the statement from the UK Chancellor in late afternoon.

Burmah shaken by SHV

The recent strength of the Burmah/Calor/Premier share prices, boosted by speculation that SHV, the privately-owned Dutch group, may be pushing Burmah into a merger with Calor, was hit yesterday by a Burmah statement implying that SHV's Burmah holding is nothing more than a "friendly" holding.

SHV had built up a 9.14 per cent stake in Burmah in recent months. On November 8 it announced that it had increased its holding to the 9.14 per cent level, a move that triggered Burmah into publicly questioning SHV over its intentions, "particularly as to the size and purpose of its investment in Burmah."

"We want to be a supportive long-term shareholder and do not contemplate a takeover scenario," Burmah reported SHV as saying to them in a letter.

Analysts are not convinced that SHV would not continue to add to its Burmah holding. The Hoare Govett oil team said: "There is nothing to prevent them (SHV) from buying more Burmah; we're sticking to our view that Burmah offers goodfundamental value." At Smith New Court, Mr Steve Turner said: "We are still fans of the Burmah/Calor tie-up story; we never expected a full bid. We think they will get together and do some kind of deal. If Burmah don't play ball SHV will come back to the market and put on the pressure. SHV have been prepared to pay up to 680p-plus a share and they will eventually top it up and force a merger."

Burmah shares dropped 32 to 656p, while Calor fell 12 to 414p. Premier gave up 2½ to 113½p.

Insurers upset

Nine-months results from two of the UK's composite insurers were badly received by the market. Commercial Union came first, revealing nine month pre-tax profits of £110.3m against £152.8m, and putting the blame on UK commercial and subsidence claims. Hurricane Hugo was responsible for £20m of losses, CU said.

Mr Andrew Goodwin at UBS Phillips & Drew said he was cutting his full-year forecast from £137m to £133m and that for next year to £130m. He said the results were only marginally below his estimate and he rated the shares a buy, pointing to the strong balance sheet. For General Accident, where Hurricane Hugo cost the company £63m, and was partly responsible for third quarter results much lower than expected, Mr Goodwin is going for £180m for the full year, compared with £190m.

CU shares dropped 15 to 447p and General Accident 13 to 1038p. Other composites came back in sympathy. Guardian Royal lost 7 to 223p and Royals, reporting today, 15 to 473p.

Pilkington reverse

Shares in Pilkington fell as Swiss Bank Corporation downgraded profits expectations for both this year and next. Mr Adrian Goodall, at SBC, cut his current year forecast from £364m to £335m and from £400m to £345m for next year. Interims figures are due on December 7 and SBC said it now expects "an uninspiring £136m against 138m." An internal SBC note said the cuts are because the construction market in the UK was weakening, as were the UK and US automotive markets. It also pointed to a slack Australian market.

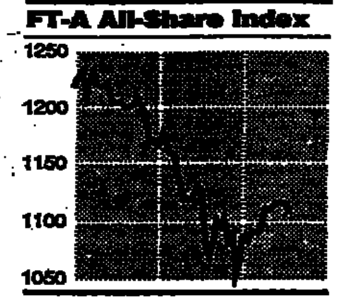
Pilkington shares have been buoyed of late by bid hopes and the prospective German building boom story. However, Mr Goodall thinks the whole thing has been overplayed. More than 4m shares were traded as the share price fell 10 to close at 231p.

A brief statement from Eurotunnel, denying stories that the chairman had resigned and that talks with the contractors building the Channel Tunnel had broken down, failed to reassure investors. The shares fell steeply, bottomed at 410p, 60 below Tuesday's close, bounced as high as 455p and finally settled at 443p, down 27 on the day. Dealers fear that French institutional investors be tempted to sell in the light of rising costs.

Interim figures from British Airways initially prompted a sharp rise in the shares to 208p. But when analysts stripped out compensation paid by Boeing for late deliveries and releases from pension funds, the figure turned out to be in line with expectation – "A damp squib," said one dealer.

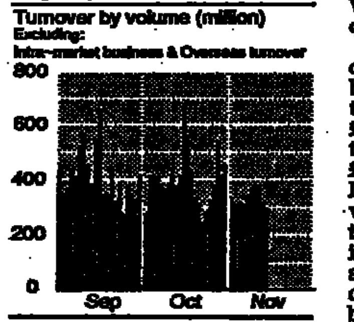
The shares nevertheless were resilient, restricting their fall in the weak market to a penny at 199p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Stories of widespread brokers' downgradings in Inchcape were wheeled out to try to explain a fall of 9 in the shares to 253p. Two of those mentioned, SG Warburg and Charterhouse Tilney, denied they had cut their forecasts and dealers eventually blamed the decline on an excess of stock.

Companies whose share had benefited recently from the strong gold price had into a bout of profit-taking. Hanson slipped a penny to 225p, Lonrho fell 4 to 264p while RTZ ended 5 lower at 543p. One of the best performances of the day among FTSE-100 stocks came from Rothmans. The shares firmed 8 to 630p after recent falls.

There was a lull in trading in Wellcome after several busy days. The shares slipped 3 with the market to 715p. The company reveals full-year figures today. Ultramar lost 5 to 327p after disappointing third quarter figures, which were affected by worse that expected results from the Wilmington refinery in California.

The poor figures from CU and General Accident upset life groups with substantial UK property accounts which were thought also likely to attract heavy subsidence claims. Of these Legal & General were particularly weak, closing 12 down at 376p and Prudential 8 lower at 189p. Legals could be hit to the tune of £8m to £10m by subsidence claims and Pru by the same amount, according to one top analyst.

Standard Chartered were strongly supported, moving up to 519p before closing a net 11 higher at 510p on 1.7m shares, on a story that the bank has received a bid of HK$5bn, or around £400m from Hong Kong Wharf for its Singapore headquarters.

The property sector was quiet despite the release of a batch of results. Land Securities reported interim profits of £80.8m, in line with expectations and compared with £71.4m last time. Most analysts left their end-year net asset value forecasts unchanged, though the BZW team lowered its estimate slightly to 860p per share from 890p, while most other predictions were bunched around 830p. But BZW's estimate for 1991 has been cut from 855p to 775p, reflecting its belief that rents will soften. Land closed down 5 at 523p.

Slough closed unchanged at 154p following full-year results which were close to market forecasts. Other leading shares were little changed with MEPC down 4 at 506p.

Scottish & Newcastle reversed Tuesday's sharp rise as Elders, the Australian brewer, contradicted a television report by saying that the sale of its 23.6 per cent stake in Scottish was not imminent. Elders has been ordered by the Monopolies and Mergers Commission to reduce the stake to less than 10 per cent by July 6 1990. The shares fell 17 to 357p.

Among dull television contractors, only LWT stood out. The shares slipped 5 to 191p as investors looked forward to tommorrow's vote on the company's controversial proposal for a radical capital restructuring and the introduction of new incentives for top management. The scheme needs a vote of 75 per cent in favour, and opposition from some of the company's largest institutional investors, including Pearl, means that the decision is likely to be close.

Confirmation that Really Useful's management is looking at the possibility of taking the company private left the shares 18 better at 690p. The shares were changing hands at less than £6 before speculation of a buyout surfaced at the beginning of the month.

Continued profit-taking pulled Euro Disneyland back another to 11 to 878p.

In the foods, Unilever attracted the most attention, as a squeeze developed, and as US buyers bought the Dutch and UK shares. Some dealers said they also believed US investors had switched out of the Dutch and into UK shares.

But Mr Julian Hardwick of BZW said he believed US investors had been buyers of both NV and plc shares. The premium of the NV over plc had narrowed from 6.5 per cent on Tuesday to 5.0 per cent by Wednesday's close. But in New York the premium widened to 6.3 per cent, as US investors continued to buy the NV shares, he said. For most of this year, the NV has been trading at an 8 per cent premium. Unilever closed 12 up at 655p.

News that Smith Industries had conceded two hours off the working week to engineering unions failed to dampen the market view of the company and shares gained 9 to 270p as the company reported a 30 per cent increase in full year profits.

Full year profits rose from £97m to £111.7m, with the aerospace, medical systems and industrial side reporting profits growth, while earnings per share rose from 22.5p to 25.5p.

Mr Clive Forestier-Walker, analyst at Kitcat & Aitken said of the figures: "This is a very satisfactory result but it is too early to judge prospects in the long term particularly in the military business given the current trend of events in Eastern Europe."

Davy Corporation, eased 3 to 241p as the company reported interim profits of £11.13m, up from £8.7m.

British Telecom eased 1¼ to 258¼p, after 257p amid speculation that the Goverment might be considering selling off its remaining 48.5 per cent stake in BT – almost 3bn shares.

British Aerospace slipped to 511p at one point in the day on talk that one of its executives posted to Airbus Industrie had resigned. The share however rallied to close at 521p, a fall of 5 on the day.

Kwik-Fit fell back another 4 to 132p on the previous day's news that Continental AG, the West German tyre manufacturer which has a 13.13 per cent stake in Kwik-Fit, did not want to bid for the company. Kwik-fit has asked the Takeover Panel to rule that the statement from the German company should prohibit it from launching a takeover for up to 12 months. The Panel is expected to make a decision today.

BTR closed down 9 at 425p on talk that Cazenove, the company's broker, had downgraded profit expectations.

Disappointing results from British Steel moved forward a penny to 127p ahead of today's interim figures. Laing & Cruickshank is expecting profits of £355m at the half way stage, and £650m for the full year. Mr Ian Lowe, at Laing, said: "The fundamentals are a lot better than some people think."

A strong two-way pull in Saatchi and Saatchi ended with a small victory for the bears. Some in the market believe that the stock is the best bid candidate in the agencies sector and, consequently, make sure they are never short of it. Others fear a cut in the dividend which would mean further downratings for the company. The shares ended 6 lower at 299p on steady volume of 1.1m shares.

Australia's News Corporation left shares in the UK subsidiary News International down 6 at 288p.

STC were actively traded, turnover reaching 3.7m as the shares moved up 4 to 273p after a long buy note issued by Mr Chris McFadden at Shearson Lehman Hutton. Mr McFadden said recent downgradings of STC "have been completely overdone. The market is discounting a fairly marked fall in profits; we think they are right to pick up, they've reached the stage where the stock is trading on only eight times 1990 earnings."

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

FINANCIAL TIMES STOCK INDICES

	Nov 15	Nov 14	Nov 13	Nov 10	Nov 9	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.29	84.84	84.35	84.47	84.83	88.08	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.58	93.57	93.55	93.78	93.73	96.86	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1759.4	1770.8	1771.4	1773.0	1764.3	1477.1	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	273.2	271.1	262.4	259.3	260.5	177.9	273.2 (15/11)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2203.4	2214.7	2213.2	2216.7	2201.7	1807.3	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

	Nov 15	Nov 14	Nov 13	Nov 10	Nov 9	Year Ago
Ord. Div. Yield	4.73	4.70	4.69	4.67	4.69	4.80
Earning Yld %(full)	11.34	11.28	11.26	11.24	11.28	12.08
P/E Ratio(Net)(☆)	10.65	10.71	10.73	10.76	10.72	10.03
SEAQ Bargains(5pm)	21,046	21,750	24,703	29,325	26,002	23,180
Equity Turnover(£m)†	-	635.41	823.12	894.26	840.08	1058.85
Equity Bargains†	-	21,950	25,473	28,401	24,150	23,112
Shares Traded (ml)†	-	293.8	309.1	382.1	372.3	429.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.65

Ordinary Share Index, Hourly changes — Day's High 1764.1 — Day's Low 1759.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1764.1	1759.0	1760.3	1762.6	1762.0	1761.8	1762.5	1759.0

FT-SE, Hourly changes — Day's High 2208.5 — Day's Low 2200.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2206.9	2200.7	2202.0	2208.2	2206.7	2205.7	2207.6	2202.4

GILT EDGED ACTIVITY

Indices*	Nov 14	Nov 13
Gilt Edged Bargains	79.1	89.5
5-Day average	82.3	82.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,500	136		Courtaulds	809	351	-5	LASMO	50	516	-3	Saatchi & Saatchi	1,100	299	-6
Abbey National	3,700	156	-1	Dalgety	979	570	-4	Laporte	735	264	-4	Sainsbury	1,500	252	+2
Allied-Lyons	1,300	467	-2	Dixons	193	107		Lucas	83	581		Scot & Newcastle	1,700	357	-17
Amstrad	1,000	45	-1	Eng. China Clays	1,000	396	-7	MB Group	227	189	-2	Sears	5,700	108	-1
Argyll Group	644	217	-1	Enterprise Oil	100	600		MEPC	687	506	-4	Sedgwick	511	288	-7
Ass. Brit. Foods	18	395		Fisons	896	333	-1	Marks & Spencer	628	195	-1	Shell Transport	3,200	426	-1
BAA	371	546		General Accident	766	1038	-13	Maxwell Comm.	324	229	-2	Siebe	286	447	-5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	2,400	199	-1	[illegible]	1,400	147	-1	RMC	170	646	-6	Taylor Woodrow	392	285	-2
British Gas	4,100	196½	-1½	Hawker Siddeley	103	634	-4	RTZ	616	543	-5	Tesco	3,700	193½	
British Land	993	315	-4	Hillsdown Hldgs.	1,600	262	-2	Racal	2,160	236	+3	THORN EMI	461	746	-19
BP	4,000	290½	-1	IMI	1,800	218		Rank Org.	499	853	-1	Trafalgar House	857	335	-4
British Steel	1,400	126½	+½	ICI	948	1094	-4	Reckitt & Colman	54	1163	-5	Trusthouse Forte	598	284½	-½
British Telecom	2,500	258½	-1½	Inchcape	646	253	-9	Redland	785	523	-8	Ultramar	2,400	327	-5
Burmah Oil	1,200	656	-32	Jaguar	515	830		Reed International	1,200	482	-5	Unilever	1,200	655	+12
Burton	1,200	189	+1	Kingfisher	566	280		Reuters	575	901½	-½	United Biscuits	323	355	+1
Cable & Wireless	696	498	+6	Ladbroke	1,575	298	-1	Rolls Royce	874	165½	+1½	Utd Newspapers	695	467	
Cadbury Schweppes	543	334	-1	Land Securities	1,200	523	-5	Rothmans	451	630	+8	Wellcome	468	715	-3
Carlton Comms.	173	795		[illegible]	453	455	-8	Royal Bk of Scotland	306	176		Whitbread 'A'	505	366	-4
Commercial Union	1,700	447	-15	Legal & General	749	376	-12	Royal Insurance	1,800	473	-15	Williams Hldgs.	715	225	+1
[illegible]	541	270	-4	Lloyds Bank	552	411	+1	STC	3,700	273	+4	Wimpey	431	240	-4

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (38).
BRITISH FUNDS (1) Treas. 2pc IL 1990, CANADIANS (2) Corona Corp., Echo Bay Mines, BANKS (1) Allied Irish, ELECTRICALS (1) Borland Intl., ENGINEERING (1) Ross Catherall, INDUSTRIALS (2) Sothebys Hlds., Wade Potts., LEISURE (1) Really Useful Grp., TRUSTS (8) Baltica Hldg., Drayton Far East, Fleming Far Eastern, Govett Oriental, Hafnia Hldgs., Martin Currie Pac., Overseas Inv Tst. Wrrnts., Pacific Asset Wrrnts., Precious Metals Tst., MINES (20) Anglo Amer., Cons. Murch., De Beers, Deelkraal, Durban Deep, ERGO, East Rand Prp., Elsburg, F.S. Cons. Gold., Harmony, Kinross, Kloof Gold, Leslie, Northgate, Placer Pac., Rus. Plat., St. Helena, Unisel, Welkom Gold Hldgs., Winkelhaak.
NEW LOWS (33).
AMERICANS (3) Dana Corp., General Host, Lone Star Inds., BUILDINGS (1) Federated Housing, CHEMICALS (1) Plysu, STORES (3) Ashley (Laura), Empire Stores Grp., Upton & Southern, ELECTRICALS (7) AB Electronic, Hewlett-Packard, Imtec Grp., Nth. Telo., Newmark (Louis), Northamber, Utd. Scientific, ENGINEERING (2) Hall Eng., Wood (S.W.), FOODS (3) IAWS Grp., Regina Health, Sutherland Hldgs., INDUSTRIALS (6) Amer Grp., BSS Grp., Scot. Heritable Tst., Suter, Utd. Glass., LEISURE (2) GWR Grp., Leisure Inv., MOTORS (1) Plaxton Grp., NEWSPAPERS (1) Intl. Bus. Comms., PAPERS (1) Delyn Pack, TRANSPORT (1) Eurotunnel Wrrnts., TRUSTS (4) Ldn. Met. 7¼ pc 2000, Olim Conv. Tst., TR Aust Inv. Tst. Wrrnts., UTC, OILS (1) Com-Tek Res., MINES (1) McFinley Rd. Lake, THIRD MARKET (1) Blackland Oil.

APPOINTMENTS

Changes at Initial

■ Mr Lee Cummins, an executive director of BET Environmental Services, has been appointed chairman of the new INITIAL UK executive board, and Mr Denis Whelan, formerly chief executive of Initial Textile Services, becomes managing director. Other board members are Mr Peter Brier, Mr Bernard Chadwick, Mr John Cleveland, Mr David Havens, Mr Ray Kavanagh, Mr Barrie Mulcuck, Mr Donald Parkin and Mr Tony Reid. Initial Contract Services, and Biffa Waste Services, move out of Environmental Services to form separate divisions in BET, the parent company.

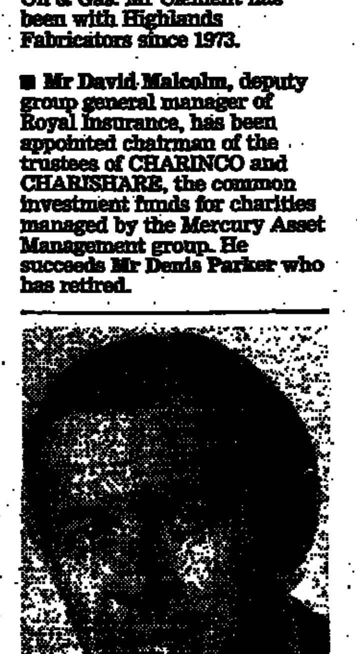
■ Mr Simon Gould has been appointed sales director of WESTBAY DISTRIBUTORS.

■ Mr John Chester has been appointed director of corporate development, SAS-METHVEN, Leeds, part of Handley-Walker Group, where he was director of marketing services.

■ Mr Mike Harris has been appointed a director of TAYLOR NELSON & ASSOCIATES. He was with Management Horizons.

■ BROWN & ROOT-WIMPEY HIGHLANDS FABRICATORS, Nigg, has appointed Mr Malcolm Dorricott as managing director and Mr Tom Clement as financial director from December 1. Mr Dorricott managed the Ravenspurn and Esmond projects for Hamilton Oil & Gas. Mr Clement has been with Highlands Fabricators since 1973.

■ Mr David Malcolm, deputy group general manager of Royal Insurance, has been appointed chairman of the trustees of CHARINCO and CHARISHARE, the common investment funds for charities managed by the Mercury Asset Management group. He succeeds Mr Denis Parker who has retired.



FIRST INDEPENDENT CORPORATE FINANCE has appointed Mr Simon Barrow *(above)* as an executive director. He was a director of corporate finance at Henry Ansbacher.

■ Mr Marcus Gregson has joined the board of SAMUEL MONTAGU & CO, part of the Midland Group. He was managing director of Royal Trust.

■ ASTRA DEFENCE SYSTEMS has appointed Mr Dennis Durling as director and general manager - armaments and weapon systems. He was operations director at Vickers.

■ GARDINER GROUP has appointed Mr Ian Nellist as finance director. He was company secretary.

■ Mr Robert Handley has been appointed managing director of SODASTREAM, part of Cadbury Schweppes. He was operations director.

■ Mr J.K. Shepherd, non-executive deputy chairman of Spirax-Sarco Engineering, has been appointed a non-executive director of CHARLES BAYNES.

■ Ms Louise Stevenson has been appointed a director of BURFORD COMMERCIAL, with responsibility for the joint venture with Tarmac Properties known as Tarmac Burford (Southern).

■ LEYLAND DAF has appointed Mr John Gibbons as service director designate, to succeed Mr Peter Cutmore who is taking early retirement next year. Mr Gibbons was general manager of ground transport and equipment worldwide with British Airways.

■ EAST MIDLANDS ELECTRICITY has appointed Mr Michael Hill as director of financial services; Mr Graeme Myring as director of distribution engineering; and Mr Graham Brown as managing director, appliance marketing.

Hongkong Bank London chief

THE HONGKONG AND SHANGHAI BANKING CORPORATION (HongkongBank) has appointed a new chief executive officer in the UK. Mr Timothy O'Brien, assistant general manager (corporate banking) in Hong Kong will move to London in December to succeed Mr Keith Whitson who has been promoted to the management team of Marine Midland Bank, New York, a wholly-owned subsidiary. HongkongBank says he will be appointed executive director of Marine Midland Bank.

Mr Peter Kirrage has been appointed to the new post of ICA representative and manager Midland Bank liaison, responsible for developing business referrals between HongkongBank and Midland Bank, particularly in Far East business. Mr Kirrage was manager, international corporate accounts division, in Hong Kong.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd. Bournemouth 0345 717373						
High Income						
American Income	6	54.85	54.85	58.67	-0.35	4.67
Gilts & Fixed Int	5	129.9	109.9	115.6	+0.20	8.65
High Inc Equity	6	125.4	131.5xd	139.9	-0.70	4.54
Worldwide Bond	6	203.3	203.3xd	215.4	+0.60	4.92
Capital Growth						
American Growth	6	199.30	201.2	214.1	-2.00	0.89
Asian Pacific	6	114.80	117.0	124.5	-0.20	1.04
Assets & Earnings	6	151.10	151.1xd	161.7	-0.30	2.29
Capital Reserve Acc	0	87.93	87.93	88.13	+0.01	4.54
Capital Reserve Inc	0	78.05	78.05	78.23	+0.01	5.11
Comdty & Energy	6	116.10	118.5	126.1	-0.30	1.51
1992 Enterprise	6	58.59	58.59	62.27	-0.32	2.04
Euro Capital Acc	6	93.44	94.18	100.2	+0.10	0.75
Euro Capital Inc	6	90.09	90.84	96.64	+0.06	0.78
General	6	171.60	171.6	183.6	-0.80	2.72
International	6	56.75	57.33	60.99	-0.14	0.82
Japan	6	122.50	124.8xd	132.8	+0.30	0.00
Mastertrust	6	90.30	90.30	96.58	-0.13	1.76
UK Growth Acc	6	176.40	176.40xd	188.7	-0.10	1.48
UK Growth Dis	6	116.40	116.4xd	124.5	-0.10	2.25
US Emerging Cos	6	53.83	55.21xd	58.74	-0.56	–
Income & Growth	6	290.90	297.6xd	316.6	-1.60	3.24
Ethical	6	45.88	47.21	50.23	-0.04	1.99
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.11	33.11xd	35.38	-0.19	2.74
European	5¼	72.00	72.24	77.11	-0.04	0.00
European Income	5¼	68.57	68.57	73.19	–	2.44
Exempt	1	755.8	755.8xd	786.0	-3.90	1.81
Extra Income	5¼	42.23	42.23	45.08	-0.22	4.51
F East Emerg Cos	5¼	61.07	61.32	65.68	-0.10	0.19
Fund Inv Tst	5	125.4	128.7xd	137.4	-0.10	1.86
Do Accum	5	196.6	201.9xd	215.5	-0.10	1.86
Gilt & Fixed Int	5¼	20.52	21.25	22.69	+0.05	11.00
Income & Growth	5¼	68.86	68.86	73.51	-0.42	3.89

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd – Contd.						
International	5	115.2	115.2	121.8	-1.0	1.56
(Accum Units)	5	158.4	158.4	167.5	-1.3	1.56
Smaller Co's	5	103.6	103.6	109.6	-0.1	2.25
(Accum Units)	5	113.8	113.8	120.3	-0.3	2.25
Inv Portfolio	2½	52.35	53.27	54.92	-0.27	3.75
(Accum Units)	2½	54.35	55.318	57.02	-0.27	3.75
High Income Port	3	46.04	46.79	48.49	-0.25	5.87
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dtd Gilt & FI	1¼	54.79	54.79	56.57	+0.01	12.84
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Int Gwth	5½	50.42	50.42xd	54.27	+0.66	1.38
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	52.25	52.25	56.95	-0.47	2.23
Global Tst	5½	45.82	45.82xd	49.59	-0.34	2.01
Recovery Tst	5½	45.43	45.43	50.69	-0.08	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	108.4	110.0xd	116.0	-0.6	4.51
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	97.67	99.17	105.5	-0.7	2.37
UK Income	6	97.63	99.17	105.5	-0.6	5.60
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	63.68	63.68	67.74	-0.63	1.21
CS International	5	59.00	59.00xd	62.76	-0.13	1.91
CS Japan	5	151.5	151.5	161.1	+0.7	0.33
CS Portfolio Inv $	5	69.67	69.67	74.11	-0.42	3.34
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	141.9	144.5	152.1	-0.70	3.04
Do Gen Accum	5	239.6	244.0	256.9	-1.30	3.04
Do Income Dist	5	90.65	92.94xd	97.83	-0.74	5.76
Do Inc Accum	5	213.6	219.0	230.5	-1.70	5.76
Gilt & Fxd Int	5	36.06	36.18	38.08	+0.03	8.43
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5½	37.18	37.47	40.08	-0.25	2.54
Income	5½	46.84	47.43	50.73	-0.34	4.08

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	116.0	116.0	123.4	+0.2	2.80
PM Income & Gth	5	93.76	93.76	99.74	.....	4.38

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	133.8	135.4xd	144.1	-0.4	5.26
Wellington Growth	5¼	215.3	227.4xd	237.3	-0.1	1.36
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	107.1	110.6	115.2	-0.5	2.91
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ‡ F	2¼	60.18	60.18xd	61.71	+0.20	[illegible]
Short Dtd Gilt ◊ F	1¼	[illegible]	[illegible]	83.05	+0.05	7.17
U.S. Govmt Bond ◊ F	1½	.5766	.5766xd	.5942	[illegible]	[illegible]
Wilkins Financial Services Ltd (0905)F						
PO Box 525 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	189.1	193.0	205.3	-2.3	2.57
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	58.87	59.18xd	62.95	+0.26	7.31
European	5	73.743	74.07	78.79	+0.17	0.10
Far Eastern	5	62.74	67.82	72.14	-0.04	0.64
Growth Inc	5	76.61	80.15	85.27	-0.79	1.59
Growth Acc	5	76.69	80.23	85.34	-0.8	1.59
Income Inc	5	74.85	77.21	82.13	-0.86	5.17
Income Acc	5	74.95	77.31	82.24	-0.86	5.15
Property Share	5	48.20	48.20	51.38	-0.15	1.09
Smaller Co's	5	45.79	48.79	52.00	-0.87	1.85
Nth American	5	64.17	64.17	68.45	.....	1.59
International	5	47.51	47.51	50.81	-0.4	1.45
Asset Value	5	157.47	157.47	168.41	-0.32	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	112.03	112.03	117.93	+0.78	3.98
UK Growth	5	92.66	92.66	97.54	+1.26	3.08
UK Income	5	95.95	95.95	101.00	+1.90	6.45
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield 0484 602250						
Yorkshire General	5¼	56.20	57.51	62.17	-0.11	2.89

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
European Fd Acc(z)	263.5	277.4	-0.3	—
Intl Fxd Int Fd Acc(z)	210.6	221.6	+0.7	—
Fixed Int. Acc(z)	346.9	365.1	+0.1	—
Gtd Money Fd Acc(z)	242.6	255.5	.....	—
High Income Fd Acc(z)	115.0	121.0	-0.7	—
Intl Man Fd Acc(z)	421.8	443.9	-3.8	—
Japan Fd(z)	314.5	331.0	+0.4	—
UK Smllr Co's Fd Acc(z)	111.9	117.8	-0.2	—
Europlus Metro	118.8	125.0	.....	—
Global Metro	106.2	111.8	-0.1	—
Sunrise Metro	123.5	130.0	-0.6	—
UK Metro	108.9	114.6	-0.4	—
Nth American Fd Acc(z)	209.4	220.3	+0.1	—
Pac Basin Fd Acc(z)	163.8	172.4	-0.2	—
Prop Fd Acc(z)	351.7	370.2	+0.1	—
Millionaires	96.7	101.7	-0.6	—
Multiple Inv Acc(z)	718.6	756.4	-2.8	—
Pension Funds				
Brit. Blue Chip Acc(z)	154.7	162.8	-4.7	—
Eq Pen Fd Acc(z)	2001.2	2106.4	-16.9	—
Euro Fd Acc(z)	356.6	375.3	-0.6	—
Fixed Int. Acc (z)	720.7	758.6	+0.5	—
Gt Money Pn Acc(z)	446.0	469.4	+0.2	—
High Interest	151.3	159.2	+0.1	—
High Income Fd Acc(z)	120.3	126.6	-0.7	—
Intl Man Fd(z)	645.6	679.7	-3.8	—
Jap Pen Fd Acc(z)	451.4	475.1	+0.6	—
UK Smllr Co's Fd Acc(z)	116.1	122.2	-0.3	—
Europlus Metro	131.0	137.9	.....	—
Global Metro	112.0	117.8	-0.2	—
Sunrise Metro	138.1	145.4	-1.0	—
UK Metro	115.9	122.0	-0.6	—
N Am Pn Fd Acc(z)	262.1	275.8	+0.2	—
Pac Basin Fd Acc(z)	197.3	207.7	-0.4	—
Property(z)	623.3	656.0	+0.1	—
Mltple Inv Pens Acc(z)	1462.0	1538.9	-7.9	—
Broker Funds				
Prof. Pen. Fd	97.7	102.8	-0.4	—
YRA Strategy	125.5	132.0	-0.3	—
YRA Performance	108.6	114.3	-0.2	—
Langham Dollar (SE)	140.6	148.0	+0.1	—

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	121.0	128.0	-1.0	-
Building Soc. Fd.	180 0	190 0	...	-
Balanced	276 0	291 0	...	-
European	184 0	194.0	+1 0	-
GT Managed	180.0	190.0	-1.0	-
Gartmore Mngd	126 0	133.0	...	-
German	147 0	155 0	...	-
Gilt	174 0	164 0	-1.0	-
Global	49.0	52.0	...	-
High Inc.	106 0	112.0	...	-
International Equity	191 0	202.0	+1.0	-
Japan	280 0	295 0	+2.0	-
Managed	56.0	59.0	...	-
Property	298.0	314 0	...	-
R. W. Imperial Gold	147.0	155.0	...	-
UK Equity	301 0	317.0	...	-
Pension Funds				
American	153 0	162.0	...	-
Building Soc. Fd.	180.0	190 0	...	-
Balanced	216 0	228.0	...	-
European	185 0	195.0	...	-
German	123 0	130 0	...	-
Gilt	153.0	162.0	...	-
International Equity	140.0	148.0	...	-
Japan	144.0	152.0	...	-
Managed	62.0	66 0	...	-
Property	228.0	240.0	...	-
UK Equity	302 0	318.0	-1.0	-
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	92.47	97.74	...	-
Pensions Cash Fund	81.62	85.91	...	-
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	602.1	634 9	-0.7	-
Adventurous Mngd	129 9	136.9	-0.3	-
Secure Mngd	110 0	116 0	-0 6	-
Cash Fd	241.2	254.2	...	-
Property Fund	299.0	315 1	...	-
Equity Fund	679 6	716 2	-1.4	-
Fxd Int. Fund	294.2	310 1	+0 6	-
International	328.1	349 1	+0.2	-
High Income	442 1	470 4	-3.9	-
Far East	450.9	479.7	+0.3	-
North American	290 8	309.4	-0.6	-
Special Sits.	610.7	649.7	-1.0	-
Technology	258.8	275.4	-0.1	-
Extra Inc Fd.	263.3	280 2	-1.6	-
Convertible & Gilt Fd.	150 1	159 7	-0.2	-
American Income	136.3	145 1	-0 4	-
Gilt Fund 20	302.8	322.2	+0.3	-
European Fund	106.5	113 4	+0 2	-
Pref & Fixed Int.	100 7	106.2	-1.2	-
Equity Income Dist.	95.0	100.0	...	-
Managed Dist.	95 0	100.0	...	-
Pension Funds				
Balncd Gth Mgd Pens Acc.	579.6	610.2	-0.6	-
Adventurous Mgd Pens Acc.	124 7	131.3	-0.3	-
Secure Mngd Pens Acc.	109.1	114.9	-0.6	-
Building Soc. Acc.	254.7	268.2	...	-
Property Pens. Acc.	304.9	321.0	...	-
Fix. Int. Pens. Acc.	412.3	434 0	+0.2	-
Equity Pens. Acc.	757 8	797 7	-1.2	-
International Pens Acc.	301.4	317.3	+0.2	-
High Inc Pens Acc.	476.5	501.6	-4.5	-
Tech Pens Acc.	167.2	176.1	-0.1	-
N American Pens Acc.	198.7	209.2	-0.5	-
Far Eastern Pens Acc.	443.6	467.0	+0.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	205.2	216.0	+0.1	-
Guaranteed	13.75		...	-
International Money	210 5	221.6	-0.4	-
North American	79 8	84.0	-0.6	-
Japanese	162.4	171.0	-0.6	-
European	104.0	109.5	+0.3	-
Special Situations	109.5	115.3	-0 8	-
Communications	101.7	107.1	...	-
Smaller Companies	104.2	109 7	+0.2	-
International Small Cos.	139.3	146.7	...	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Nov 8	£157.88	162.86	...	-
Equity Nov 8	£167.00	173 12	...	-
International Nov 8	£27.93	28.55	...	-
Intl Bond Nov 8	£12.84	13.01	...	-
Fixed Int Nov 8	£74 04	74.86	...	-
Index Linked Nov 8	£63 47	64 26	...	-
Property Nov 8	£116 47	123.34	...	-
Cash Nov 8	£22 0374	22.0374	...	-
Pru-Linked Retirement Plan				
Managed Nov 9	387 0	403.2	+7.6	-
Cash Nov 9	207.2	215.9	+0.5	-
Prudential Pensions Investment Account				
Pens Mngd Nov 14	155.3	167.0	-0.4	-
Pens UK Eq Nov 14	285 7	308.0	-0.2	-
Pens Intl Nov 14	196.2	211.1	+2.1	-
Pens Fixed Nov 14	170.4	179.9	+0.1	-
Pens Index Lk Nov 14	165 0	174 2	-0.5	-
Pens Cash Nov 14	135.2	142.5	+0.4	-
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	119 0	125.2	-0.3	-
Balanced Ptflio Fd	310.3	326 6	-0.5	-
Cautious Ptflio Fd	122 5	128.9	+0.1	-
Elite Fund	107 1	112 7	-0.3	-
European Fund	92.3	97 1	-0.3	-
Far East Fund	110 6	116.4	-0.6	-
Fixed Interest Fund	242 5	255.2	+0.6	-
International Fund	289 2	304 4	-1.0	-
Money Fund	182.2	191.7	...	-
N. American Fd	124.6	131.1	-0.9	-
Property Fund	391 2	411.7	+0.2	-
UK Equity Fd	368 9	388.3	-1.0	-
A L M Brewin Dolphin Fd.	98.3	103.5	+0.1	-
Swim Select Inv.	115 7	121.8	-0.5	-
Chart Safety First Bd.	106 2	111 8	+0.1	-
Exec Master Fd	102 9	108.3	+0 1	-
Hardwick Growth Fd.	112.8	118 7	...	-
Bensley Ham LR Port.	105.7	111.3	...	-
Milbourne Secs Port.	118.1	124.3	...	-
Swim Global Fd	120 1	126.4	...	-
Hardwick Tst Fd	74.3	78.2	...	-

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

	Bid Price	Offer Price	+ or -	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd.	128.2	135 0	...	-
Equity Acc Fd	318 7	335.3	-1.1	-
Managed Acc Fd.	283.3	298.2	...	-
Prop Fd (1st Issue).	-	593.8	...	-
Prop Acc Fd (2nd Iss).	168 0	176.8	...	-
Unit Trust Mn Fd	122.0	128.5	...	-
BL Pension Funds				
Deposit Acc.	169 8	178.7	...	-
Equity Acc	237.6	250.1	...	-
Fixed Int. Acc.	162 7	171.3	...	-
Gilt Indx Lnk Acc.	141.6	149.1	...	-
Managed Acc.	289.9	305.2	...	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Equitable Life Assce. Soc.—Contd.				
	119.9	126 3	+0.1	-
	112.0	117 9		-
Currency	151.9	159 9	+0.5	-
	126.486	133 144	+0.036	-
	86 2	90.8	-0 7	-
	480.2	505.5	+0.1	-
	484.5	510.0	-2.3	-
	586.8	617.7	+2.3	-
	149 6	157.5	-1 4	-
	200.5	211.1	...	-

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd—Contd.				
Commodity Shares	99 7	104 9	...	-
Financial Securities	135.7	142.8	-0.2	-
Gold	71.3	75.0	+1.2	-
Intl. Leisure Mark	186.2	195 9	-0.7	-
Global Income	136 8	144 0	-0.7	-
Property Shares	171 0	180.0	-0.5	-
World Technology	91.2	96.0	-0.4	-
American Growth	145 6	153.2	...	-
U.S Income	112.3	118.2	-0.2	-
U.S. Small Co	96 9	102 0	-0.7	-

	Bid Price	Offer Price	+ or -	Yield Gross
Target Life Assurance Co Ltd—Contd.				
Equity Pens	548.5	577.4	-0.8	-
Index-L Plan	164.9	173 6	...	-
Guilt Pen.	352 4	371.0	+0 2	-
Leicester Retirement	194 8	205 2	...	-
Deposit Pension	114 6	120.7	+0 1	-
Alpha Funds				
UK Alpha		153.8	...	
US Alpha		72 9	...	
Gilt Alpha		54 1	...	
Gold Alpha		73 7	...	

	Bid Price	Offer Price	+ or -	Yield Gross
Roxborough Financial Management Ltd				
123-125 Curtain Road, London EC2A 3BX 01-739 7117				
Managed Fd (MD)		106 8	...	-
Pension Managed (MP)		99.7	...	-
Discretionary Fd (MD)		144.5	-0.2	-
Discretionary Pens Fd (MD)		113 4	-0.2	-
Multi-Trust Fd (SiOut)	95.5	100.5	...	-
Fortress Para Fd	117 9	124.1	...	-
Cheergrove Mngd (SM)	169 4	178.4	-0.2	-
Mutual Master (SM)	117.2	123 4	-0.2	-
Rutland Ins Bkg & Inv Grp ("RIBIG")				

Rothschild Asset Management—Contd.

Ivory & Sime—Contd.

Hemmera Global Fund

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100	98¾	Exch 10¼pcCv '89	100xd	.....	-	-
101	99	Treas 13pc 1990‡‡	99	.....	13.06	14.75
133	124	Treas 2pc IL '90(84.6)	133	+	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	.....	11.10	14.16
101	99	Exch. 12½pc 1990	99	.....	12.58	14.37
96	91	Treas. 3pc 1990	96	.....	3.12	11.86
97	95	Treas 8¼pc 1987-90‡‡	97½xd	.....	8.49	13.73
98	95¼	Treas. 8pc Cv 1990 ‡‡	96½	+	8.29	13.65
98	96	Treas. 10pcCv 1990	97	-	10.31	13.45
93	87	Exch 2½pc 1990	92xd	.....	2.04	11.56
101	98	Treas 11¾pc 1991	98	-	11.92	13.05
93¾	89	Funding 5¾pc '87-91‡‡	93	.....	6.18	11.30
90	86	Treas. 3pc 1991	90	.....	3.31	9.94
100	95½	Treas 10pc Cv '92 ‡‡	96	-	10.37	12.45
101	96	Exch. 11pc 1991	97	-	11.25	12.31
94	91	Treas. 8pc 1991	92xd	-	8.65	12.27
106	100	Treas 12¾pc 1992‡‡	101	-	12.54	11.80
99	95	Treas 10pc 1992	96	-	10.38	11.85
94	90	Treas. 8pc 1992 ‡‡	92	-	8.68	11.84
100¼	96	Treas 10½pc Cv 1992‡‡	97	-	10.77	11.68
85	82	Treas. 3pc 1992	84xd	.....	3.54	9.83
105	100	Exch. 12¼pc '92	101	-	12.11	11.71
109¼	103	Exch 13½pc 1992	104	-	12.92	11.57
94	90	Treas 8¼pc 1993	91	-	9.03	11.45
100	95	Treas 10pc 1993‡‡	96	-	10.38	11.30
108	102	Treas 12½pc 1993‡‡	103	-	12.10	11.34
88	84	Funding 6pc 1993‡‡	87	+	6.91	10.22
113¼	107	Treas 13¾pc 1993‡‡	107xd	-	12.74	11.24
94	89	Treas. 8½pc 1994	90	-	8.36	11.26
117	111	Treas 14½pc 1994‡‡	111	-	13.01	11.06
113	107	Exch 13½pc 1994	107	-	12.51	11.19
100	95	Treas. 10pc Ln. 1994‡‡	96xd	-	10.39	11.08
110¼	104	Exch. 12¼pc 1994	104	-	11.94	11.17

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
96	91	Treas 9pc 1994‡‡	92xd	-	9.72	10.97
108	102	Treas 12pc 1995	103	-	11.62	11.12
79	72	Exch 3pc Gas 90-95	76	.....	3.91	3.36

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	1989 Low	Stock
103	94½	Conversion 9½pc 2005
111	102	Exch.10½pc 2005
125	115	Treas. 12½pc 2003-05
90	82	Treas. 8pc 2002-06‡‡
105	97	Conversion 9¾pc 2006
118	109	Treas. 11¾pc 2003-07
96	87	Treas 8½pc 2007 ‡‡
134	123	Treas. 13½pc '04-08
101	92	Treas. 9pc 2008 ‡‡
93	93	Treas. 9pc 2008 B
92	84	Treas 8pc 2009
102	93	Conv 9pc Ln 2011 ‡‡
68	62	Treas. 5½pc 2008-12‡‡
89	81	Treas. 7¾pc 2012-15‡‡
132	120	Exch. 12pc '13-'17

Undated

1989 High	1989 Low	Stock
45	40	Consols 4pc
40	36	War Loan 3½pc‡‡
70	60	Conv. 3½pc '61 Aft
41	31	Treas. 3pc '66 Aft
30	25	Consols 2½pc
29	25	Treas. 2½pc

Index–Linked

(b)

1989 High	1989 Low	Stock
112	103	Tr. 2pc '92‡‡(97.8)
105	94	Do. 2pc '94 (102.9)
155	139	Do. 2pc '96(67.9)
130	118	Do 2½pc '01(78.3)
127	115	Do. 2½pc '03(78.8)
131	117	Do. 2pc '06(69.5)
123	120	Do. 2½pc '09(78.8)
128	114	Do. 2½pc '11(74.6)
106	95	Do. 2½pc '13(89.2)
115	101	Do. 2½pc '16(81.6)
112	100	Do. 2½pc '20(83.0)
95	84	Do. 2½pc '24‡‡(97.7)

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15¾	8⅞	Hasbro Inc 50c	14¼	–¼	16c	–	0.7
57½	38½	Honeywell $1½	58⅜	–⅝	$2.75	–	3.4
22⅝	15½	Houston Inds ¶	22⅞		$2.95	–	8.5
76⅛	60⅞	IBM Corpn $1¼	62⅝xd	–⅛	$4.84	–	5.6
605	450	[illegible]	525	–2	–	–	–
32⅝	18¼	Ingersoll-Rand $2	27⅝xd	–¼	$1.20	–	2.7
33⅞	22½	Lockheed Corp. $1	25⅝xd	–1½	$1.90	–	[illegible]
22⅝	14¼	Lone Star Inds $1	14¼xd	–⅜	$1.90	–	8.2
27⅜	17½	Louisiana Land 15c	25xd	+⅛	$1.00	–	2.5
20⅛	11½	Lowe's 50c	18⅜	–½	45c	–	1.7
26⅛	15	Manuf. Hanover $1	24⅛	+⅛	$3.28	–	8.5
22⅝	[illegible]	Merrill Lynch $1	16⅝	–⅛	$1.00	–	3.6
2477p	1910p	Molex Inc	2155p	–25	3.2c	–	–
30⅝	15⅛	Morgan (JP) $2½	25⅛xd	–¼	$1.60	–	3.9
26⅜	24⅛	Morris (Philip)	25⅛xd	–⅜	$1.13	–	2.8
54⅛	36⅛	NYNEX $1	50⅛	+⅛	$4.76	–	5.5
[illegible]	200	[illegible] Legal Serv.	255		–	–	–
25⅞	18⅝	PHH Corp.	23⅛	–⅛	$1.15	–	3.1
2550	1750	Pacific Agr	1740		–	–	–
27¼	19	Pacificorp $3¼	27¼xd		$2.76	–	6.2
30⅛	16⅞	Pacific Telesis 10c	27⅝	–¼	$1.88	–	4.3
22⅞	13¼	Pall Corp. 25c	20⅛		48c	–	1.5
55⅜	36⅜	Pennzoil 83 1/3c	50⅜xd	–½	$3.00	–	3.8
42⅝	28⅝	Quaker Oats $5	38⅛	–⅝	$1.40	–	2.3
32⅝	23⅛	Rep NY Corpn $5	29⅛xd		$1.28	–	2.7
15⅜	11⅛	Rockwell Intl. $1	14⅛xd	–⅛	78c	–	3.3
25⅝	22	Sears, Roebuck 75c	25⅛	–⅛	$2.00	–	5.3
37⅝	21⅞	Southwestern Bell $1	35	–¼	$2.50	–	4.7
27⅞	17⅞	Sun Co. Inc. $1	24⅛xd	–⅛	$1.80	–	4.6
21⅛	[illegible]	TRW Inc. 62½c	23⅛	–⅛	$1.73	–	3.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

هكذا اصل الأصل

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

For Tullow Oil see Oils & Gas

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	87	......
Craig & Rose £1 γ	834xd	......
Finlay Pkg. 5p γ	64	......
Holt (Jos) 25p γ	1343	......

IRISH

Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln. 1996	£97¼	+¼
Fin. 13% 97/02	£116	......
Arnotts	485xd	......
Carrol (P.J.) γ	143	-2
Hall (R. & H.)	145	......
Heiton Hldgs. γ	88	......
IRG	228	......
Unfted Drug	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	28
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	128
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk.	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	20½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound falls against D-Mark

STERLING weakened after Mr John Major, the UK Chancellor, told Parliament in his Autumn Statement that the current account deficit would be £20bn this year, narrowing to £15bn in 1990, and that growth will be only around 1.25 per cent next year. Inflation should decline to an annual rate of 5.75 per cent by the fourth quarter of 1990.

Dealers saw very little new or surprising in the Autumn Statement, but said that weak growth and falling inflation mean interest rates will begin to fall in the new year. This in turn should lead to a weakening of the pound, particularly against the D-Mark.

Selling of sterling yesterday was not aggressive, however, and probably reflected the squaring of long positions rather than any move into short positions in the pound. Weaker than expected figures on UK industrial production confirmed recent data pointing to a sharp slow-down in the economy but had little impact. Industrial production in September was expected to rise 0.6 per cent, but fell 0.8 per cent, while the manufacturing sector fell 1.1 per cent against forecasts of a 0.25 per cent rise.

Sterling touched a peak of DM2.9225 during the day, but fell through a technical support point of DM2.9150 on Mr Major's comments. It closed in London around the day's low at DM2.9075, compared with DM2.9225 on Tuesday. The pound was steady at $1.5820, against $1.5815 previously, and was unchanged at Y227.25, but was dragged down by the strong D-Mark against other European currencies, falling to SFr2.5675 from SFr2.5800 and to FFr9.8825 from FFr9.9250. According to the Bank of England sterling's index declined 0.4 to 88.7.

The pound's fall at least partly reflected a further recovery by the D-Mark. The West German currency continued Tuesday's rally, breaking through resistance at Y78.00 against the Japanese yen. In Tokyo the main focus was on cross rate trading between the D-Mark and yen, as the dollar drifted quietly on the side lines. The D-Mark closed at Y78.07 in Tokyo and at Y78.15 in London against Y77.70 on Tuesday.

Interest rate differentials continued to favour the D-Mark. Frankfurt rates were firm on speculation about inflationary pressure, caused by the influx of East Germans into West Germany. This has led to a widening of the differential between Frankfurt and Tokyo, while longer term Euro D-Marks are now also higher than the equivalent Eurodollar rates.

The dollar continued to lack market-moving factors but lost ground with sterling and the yen against the D-Mark. It closed in London at Y143.70, compared with Y143.65 on Tuesday, while falling 1 pfenning to DM1.8385, and declining to SFr1.6230 from SFr1.6320 and to FFr6.2475 from FFr6.2750. On Bank of England figures the dollar's index fell to 69.7 from 70.0.

£ IN NEW YORK

Nov.15	Latest	Previous Close
£ Spot	1.5825-1.5835	1.5930-1.5940
1 month	0.84-0.83pm	0.88-0.87pm
3 months	2.39-2.36pm	2.47-2.44pm
12 months	8.38-8.28pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.15	Previous
8.30 am	89.1	89.2
9.00 am	89.0	89.2
10.00 am	88.9	89.2
11.00 am	89.0	89.2
Noon	88.8	89.2
1.00 pm	88.8	89.2
2.00 pm	88.8	89.2
3.00 pm	88.8	89.1
4.00 pm	88.7	89.1

CURRENCY RATES

Nov.15	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.24503	1.42192
U.S Dollar	7	1.27170	1.11434
Canadian $	12.46	1.48814	1.30322
Austrian Sch.	6½	16.6186	14.4474
Belgian Franc	10¼	49.5009	43.0414
Danish Krone	10½	9.16451	7.97924
Deutsche Mark	6.00	2.35926	2.05284
Neth. Guilder	7.00	2.66358	2.31605
[illegible]	[illegible]	[illegible]	[illegible]

Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Nov.14

CURRENCY MOVEMENTS

Nov.15	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)

OTHER CURRENCIES

Nov.15	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

Nov 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	14⅞-14¾	15-14⅞	14⅞-14¾	14½-14¼
US Dollar	8¾-8⅝	8¾-8⅝	8¾-8⅝	8⅝-8½	8⅝-8½	8¼-8⅛
Can. Dollar	12-11¾	12¼-11¾	12⅛-11⅞	12¼-11¾	12-11¾	11⅞-11⅝
D. Guilder	8⅛-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8½-8⅜
Sw. Franc	6¾-6½	7-6½	7⅝-7½	7⅝-7½	7⅝-7½	7⅝-7½
Deutschmark	7⅞-7¾	7⅞-7⅝	7⅞-7¾	8⅛-8¼	8⅜-8¼	8⅝-8½
Fr. Franc	9⅞-9⅝	9⅞-9⅝	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅜-10⅛
Italian Lira	12-10	13-12	12⅝-12⅛	12⅝-12⅛	12¾-12⅝	12⅝-12⅛
B. Fr. (Fin)	9⅝-9½	9⅞-9⅝	9⅞-9⅞	9⅞-9⅞	9⅞-9⅝	9⅞-9⅝
B. Fr. (Con)	9⅝-9⅜	9⅞-9½	10⅛-9⅞	10⅛-9⅞	10-9⅞	9⅞-9½
Yen	6-5⅞	6⅛-6	6⅜-6⅛	6⅜-6⅜	6⅜-6⅜	6⅜-6⅜
D. Krone	12⅜-12⅛	12⅜-12⅛	12½-12¼	12⅜-12¼	11¾-11⅝	11½-11¼
Asian $Sing	8⅞-8⅝	8⅝-8½	8⅝-8⅜	8⅝-8⅜	8⅜-8¼	8⅜-8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5810 - 1.5920	1.5815 - 1.5825	0.86-0.84cpm	6.45	2.57-2.54pm	6.46
Canada	1.8500 - 1.8590	1.8540 - 1.8550	0.44-0.36cpm	2.59	1.36-1.22pm	2.78
Netherlands	3.27½ - 3.30	3.27½ - 3.28½	1¾-1⅝cpm	6.63	5⅜-5⅛pm	6.40
Belgium	60.90 - 61.35	61.00 - 61.10	27-25cpm	5.11	80-76pm	5.11
Denmark	11.30¾ - 11.37	11.30¾ - 11.31¾	2⅝-2⅛orepm	2.39	8⅛-7⅛pm	2.74
Ireland	1.0940 - 1.1025	1.0965 - 1.0975	0.35-0.30cpm	3.56	0.95-0.85pm	3.28
W. Germany	2.90½ - 2.92½	2.90½ - 2.91	1¾-1⅝pfpm	6.96	4¾-4⅝pm	6.53
Portugal	249.40 - 252.00	249.50 - 250.50	40-22cpm	1.49	3-45dis	-0.38
Spain	184.85 - 185.80	185.10 - 185.40	15-7cpm	0.71	9-2pm	0.12
Italy	2134 - 2143½	2134½ - 2135½	6-4lirepm	2.81	14-11pm	2.34
Norway	10.91¾ - 10.97½	10.91 - 10.92	3⅝-3⅛orepm	3.57	9⅛-8⅝pm	3.25
France	9.87¾ - 9.93½	9.87¾ - 9.88¾	4⅛-3⅞cpm	4.86	11⅝-11⅛pm	4.58
Sweden	10.16¾ - 10.20½	10.16¾ - 10.17¾	2⅝-2⅛orepm	3.02	7⅛-6⅞pm	2.80
Japan	226¾ - 228	226¾ - 227¾	1¾-1⅝ypm	8.91	4⅝-4⅜pm	8.25
Austria	20.46 - 20.58	20.46 - 20.49	11⅝-10⅜gropm	6.45	32⅛-30⅞pm	6.20
Switzerland	2.56¾ - 2.58¾	2.56¾ - 2.57¾	1⅝-1⅛cpm	7.30	4⅝-4⅜pm	7.01
ECU	1.4190 - 1.4230	1.4190 - 1.4200	0.53-0.50cpm	4.34	1.51-1.46pm	4.17

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 61.00-61.10 Six-month forward dollar 4.71-4.66cpm 12 Months 8.40-8.30cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5810 - 1.5920	1.5815 - 1.5825	0.86-0.84cpm	6.45	2.57-2.54pm	6.46
Ireland†	1.4400 - 1.4455	1.4440 - 1.4450	0.30-0.25cpm	2.29	1.17-1.07pm	3.10
Canada	1.1675 - 1.1740	1.1730 - 1.1740	0.36-0.39cdis	-3.85	1.06-1.12dis	-3.73
Netherlands	2.0720 - 2.0805	2.0735 - 2.0745	0.01pm-0.01cdis	-0.06	0.01-0.05dis	-0.06
Belgium	38.50 - 38.65	38.55 - 38.65	3.00-5.00cdis	-1.24	11.00-15.00dis	-1.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.15	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]	[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2201.0	2222.0	2196.0	2224.0
Mar	2244.0	2258.0	2244.0	2268.0
Jun	2282.0			2305.0

Estimated volume 3522 (3714)
Previous day's open int. 31393 (31403)

EUROPEAN OPTIONS EXCHANGE

[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 36,902

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

German rates firm

REACTION WAS muted to news that the Bundesbank drained DM2.1bn from the Frankfurt money market at this week's securities repurchase agreement tender. Bids of DM23.3bn were accepted at the tender while earlier pacts totalling DM25.4bn expired.

UK clearing bank base lending rate 15 per cent from October 5

Fixed period rates were firmer, but it is considered unlikely there will be any change in official interest rates at today's Bundesbank council meeting. Banks have been well supplied with liquidity in the first half of this month, and it was not unexpected the central bank drained funds at the tender.

Call money held steady at 7.65 per cent. At recent tenders the Bundesbank has indicated its wish to move call money further below the 8 per cent Lombard rate by offering funds at a fixed 7.3 per cent, but the possible inflationary implications for West Germany from events in East Germany have dashed hopes of easier monetary policy.

The Bundesbank again supplied funds at a fixed 7.3 per cent, when accepting bids of DM13.6bn for 28-day money. But the market's nervousness about a possible rise in official rates was illustrated by bids of between 7.85 per cent and 8.25 per cent at the 63-day tender, when DM9.7bn was allotted.

In London three-month interbank firmed to 15⅛-15 from 15-14⅞ per cent as the Chancellor of the Exchequer made his Autumn Statement on the economy.

The Bank of England forecast a money market credit shortage of £550m, but revised this to £700m at noon. Help of £538m was provided. Before lunch the authorities bought £337m bills by way of £77m bank bills in band 1 at 14⅞ per cent and £250m bank bills in band 2 at 14¾ per cent. In the afternoon another £186m bills were purchased, via £21m Treasury bills in band 2 at 14¾ per cent and £165m bank bills in band 2 at 14¾ per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £117m, with Exchequer transactions absorbing £310m, a rise in the note circulation £130m, and bank balances below target £15m. There were no offsetting factors.

In New York the US Federal Reserve was expected to add reserves to the banking system, but stayed out of the market as Federal funds eased to 8¾ per cent from 8⅝ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.15) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed.funds	8¾
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.79	Three year	7.69
Two month	7.97	Four year	7.72
Three month	7.90	Five year	7.75
Six month	7.78	Seven year	7.80
One year	7.68	10-year	7.82
Two year	7.69	30-year	7.87

Nov.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.60-7.70	7.80-7.90	8.15-8.30	8.20-8.35	8.20-8.35	8.00
Paris	9⅛-9⅜	10-10⅛	10⅛-10¼	10⅛-10¼	10¼-10⅜	9.50
Zurich	6⅞-6⅝	7⅝-7⅝	-	7⅝-8	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	5⅞-5⅞	6⅜-6⅜	-	6⅜-6⅜	-	-
Milan	12⅛-12⅜	12⅛-12⅜	-	12⅞-13⅛	-	-
Brussels	10.05	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	10⅜-10⅝	10⅝-10⅞	10⅛-10½	11⅛-11⅜	12-12⅛	-

LONDON MONEY RATES

Nov 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15⅛	15⅛	15	14⅞	14⅝
Interbank Bid	14½	14¾	14⅞	14⅞	14¾	14¼
Sterling CDs.	-	-	14⅞	14⅞	14⅞	14⅝
Local Authority Deps.	14¾	14⅞	14⅞	14⅞	14⅝	14⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15	15	14⅞	14¼
Finance House Deposits	-	-	15	15	14⅞	14⅝
Treasury Bills (Buy)	-	-	14¾	14½	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13¾	-
Fine Trade Bills (Buy)	-	-	15⅜	15⅛	14⅞	-
Dollar CDs.	-	-	8.47	8.40	8.22	8.15
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8⅞	8¾
ECU Linked Dep. Offer	-	-	10⅝	10¾	10¾	10⅝
ECU Linked Dep. Bid	-	-	10⅝	10⅝	10⅝	10⅝

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅝ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.3433 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1989. Agreed rates for period November 26 1989 to December 25, 1989, Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept 30,1989 to October 31, 1989, Scheme IV&V: 15.084 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Saveplus 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

PUBLIC WORKS LOAN BOARD RATES

Years	Quota loans repaid: by EIP†	At††	at maturity§	Non-quota loans A* repaid: by EIP†	At††	at maturity§
1			13⅝			14⅛
Over 1 up to 2	13¼	13⅛	12⅞	14⅛	14⅛	12⅞
Over 2 up to 3	12½	12⅜	11⅝	13½	13⅜	12⅞
Over 3 up to 4	12	11⅞	11⅜	13	12⅞	12⅝
Over 4 up to 5	11¾	11⅝	11¼	13¼	12⅝	12
Over 5 up to 6	11½	11½	11⅛	12	12	11⅝
Over 6 up to 7	11⅜	11⅜	11⅛	11⅞	11⅞	11⅝
Over 7 up to 8	11⅜	11¼	11	11⅞	11¾	11½
Over 8 up to 9	11¼	11⅛	10⅞	11¾	11⅝	11⅜
Over 9 up to 10	11¼	11⅛	10⅝	11¾	11⅝	11⅜
Over 10 up to 15	11	10⅞	10¼	11½	11¼	10⅞
Over 15 up to 25	10⅜	10½	10	10⅞	10⅝	10½
Over 25	10⅛	10	9⅞	10⅝	10½	10⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

JOTTER PAD

CROSSWORD

No.7,091 Set by DINMUTZ

ACROSS

1 Such signallers must be armed (9)
6 Post found in a university study (5)
9 Reddish fish you open (5)
10 Delivered to the ground, it is natural ..... (5-4)
11, 12 ..... synthetic cream all over the blue shirts (10,4)
14 Special offer in the barber's tariff? (3-4)
15 Hybrid fruit to retain the pure spirit (7)
17 Thiamine provided by former Minister of Health (7)
19 Sitting-bower (7)
20 Time in office of Walter Mondale? (4)
22 Roughly, I ape Morris the showman (10)
25 "Senegal" a famous Aintree runner that can be beaten (5-4)
26 Means to restore church house (5)
27 Frighten the game around end of forest (5)
28 Opened up, like 16 down? (9)

DOWN

1 Play idly in Queer Street first? (5)
2 Parisienne found little place to eat on motorway (9)
3 Mind shrinkage? (10)
4 Lines in old English to superintend (7)
5 Grave of English composer is French externally (7)
6 Long bill he presented (4)
7 The stuff of girders on the subcontinent? (5)
8 The softer farm-butter? (5-4)
13 Meridional concomitants of hydrophobic canines(10)
14 Flogged new sites in African country ..... (9)
16 ..... settlers streaming out (9)
18 Concerned with figures, miner's body fine! (7)
19 Desert traveller swallowing a right chewy sweet (7)
21 Criticise the joint (5)
23 Mountain-nymph's injunction to study (5)
24 Display a flower (4)

Solution to Puzzle No.7,090

ROCKET SCABBARD
TRANCE STARLING
RESERVED TAPERS
NOUS REMARKS
DECIDED MOLE
PLEASE DELEGATE
INTREPID REMISS
GENERATE STONES

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

CANADA

TORONTO

2pm prices November 15

Sales	Stock	High	Low	Close	Chng
900	Cascades	8	8	8	
2500	Celanese	$27⅞	27⅞	27⅞	
1725	Cen Capital	$11⅛	11⅛	11⅛	
7814	CenCap A	$9⅞	9⅞	9⅞	+ ⅛
5800	CentFd A	$6¼	6⅛	6¼	+ ⅛
6000	Charan	83	83	83	− 2
500	CHUM B f	$24⅛	24⅛	24⅛	− ⅛
325175	Horsham f	$11⅛	10⅞	11⅛	+ ⅛
1210	H Baymin a	$8⅛	8⅛	8⅛	
27157	H Bay Co	$32	31⅞	31⅞	− ⅛
19188	Imasco L	$37¼	37	37	− ⅛
10230	Imp Oil A	$60½	60¼	60½	+ ½
48485	Inco	$34⅝	34⅜	34½	
2200	Innopac	$9¼	9⅛	9⅛	+ ⅛
229517	Wcoast E	$21⅝	21⅛	21½	+ ⅛
1000	Westmin	$9⅛	9⅛	9⅛	
11600	Weston	$41⅛	40½	41	− ½
31000	Woodwd A	250	226	250	+ 25

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Nov. 14	Nov. 13	Nov. 10	Nov. 9	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2610.25	2626.43	2625.61	2603.69	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.16	93.33	93.32	93.18	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1201.46	1210.53	1203.41	1192.39	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.88	220.82	220.95	219.50	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2640.57 (2648.36) Low 2597.13 (2602.05)

STANDARD AND POOR'S

	Nov. 14	Nov. 13	Nov. 10	Nov. 9	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	337.99	339.55	339.10	336.57	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	385.09	387.03	386.45	383.22	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.28	32.52	32.55	32.50	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.51	188.22	187.90	186.75	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	371.52	371.70	371.47	370.41	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	454.03	455.94	456.19	454.07	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 10	Nov 3	Oct 27	year ago (approx.)
Dow Industrial Div. Yield	3.94	3.93	3.97	3.81

	Nov 8	Nov 1	Oct 25	year ago (approx.)
S & P Industrial div. yield	3.00	2.97	2.95	3.19
S & P Ind. P/E ratio	14.29	14.25	14.31	12.60

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Combust'n Eng	3,895,400	38⅝	− ⅛
Unisys Corp	2,426,600	12½	− ⅛
Philip Morris	2,326,300	40⅛	− 1½
Am Express	1,922,400	33⅞	− ⅛
Panhandle	1,897,600	27⅛	− ⅛
Merck	1,805,000	75⅛	− ⅛
IBM	1,674,800	98	− ⅛
Caremark	1,228,200	6	− 2½
Am T&T	1,127,500	42⅛	− 1
Texas Util	1,126,600	35⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 14	Nov 13	Nov 10
New York	144.326	141.751	131.800
Amex	11.098	9.926	12.506
NASDAQ	123.771	109.202	109.047
Issues Traded	1,953	1,946	1,938
Rises	622	806	890
Falls	818	661	544
Unchanged	513	479	504
New Highs	43	51	50
New Lows	52	55	55

CANADA

TORONTO	Nov 14	Nov 13	Nov 10	Nov 9	1989 HIGH	1989 LOW
Metals & Minerals	3409.51	3439.34	3426.5	3418.2	3919.2 (1/9)	3207.5 (3/1)
Composite	3943.09	3949.69	3943.7	3931.5	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2005.58	2011.58	2009.22	2002.46	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 15	Nov. 14	Nov. 13	Nov. 10	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1627.7	1633.7	1633.0	1636.6	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	825.8	826.6	816.3	821.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	408.51	417.64	425.05	401.09	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6503.58	6461.86	(c)	6391.94	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	351.50	348.68	344.65	344.04	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	625.9	625.4	634.4	646.5	815.8 (18/4)	625.4 (14/11)
FRANCE						
CAC General (31/12/82)	511.6	512.7	512.1	507.1	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	116.8	117.1	117.3	116.1	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	636.53	636.77	648.59	634.84	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1867.6	1870.6	1906.1	1862.3	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1498.06	1503.85	1530.96	1496.69	1657.61 (8/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2793.40	2779.58	2766.33	2776.86	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1665.42	1668.04	1664.60	1656.68	1848.93 (30/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	652.47	656.25	653.39	647.41	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35852.23	35768.64	35750.12	35663.20	35852.23 (15/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2717.87	2709.98	2700.95	2692.77	2717.87 (15/11)	2366.91 (6/1)
2nd Section (4/1/68)	3691.08	3689.38	3689.43	3672.79	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Tnl.Rtn.Gen.(End 1983)	249.8	250.1	250.8	249.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	191.7	192.0	192.5	191.9	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	616.84	624.57	630.57	628.43	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1376.42	1392.87	1382.48	1363.27	1392.87 (14/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1333.72	1333.25	1336.44	1331.99	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2011.0§	1984.0	1949.0	1896.0	2011.0 (15/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2580.0§	2579.0	2575.0	2575.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	907.58	909.60	925.32	927.59	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	295.7	299.24	300.47	300.39	328.93 (13/7)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4038.7	4103.4	4165.0	4200.6	4669.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	732.4	732.2	740.2	738.6	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10425.58	10499.58	(c)	10127.05	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	746.22	740.75	740.01	722.74	746.22 (15/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	529.1	529.5	529.7	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.11: Taiwan Weighted Price: 10252.40. Korea Comp Ex. 932.25.
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday November 15 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	72.2m	761	+2
Toyo Tire & R	36.5m	1,600	+150
Tobu Rlwy	32.9m	1,790	+60
Sumitomo Mtl M.	26.5m	1,930	+40
Mitsubishi Oil	25.3m	1,700	-20
Mitsubishi Mtl	23.5m	1,240	-20
Keisei Elec Rlwys	23.1m	2,970	+200
Kawasaki Steel	21.8m	839	+3
Nippon Steel	20.6m	768	-1
Tokyo Gas	18.9m	1,230	-10

3pm prices November 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	21¼	AAR	.48	1.4	21	296	34½	34	34¼	+¼
9⅝	8⅞	ACM n	1.01	11.		289	9½	9⅜	9½	
11⅝	10¼	ACMIn	1.26	11.		295	11½	11¼	11½	
10¼	8	ACM M	n1.01	12.		296	8⅞	8¾	8¾	-⅛
11½	10	ACM Se	1.26	11.		976	11⅛	11	11	-⅛
9⅜	8⅞	ACMSp	1.01	11.		937	9¼	9	9¼	+¼
16	11½	AL Lab	.12	.7	17	306	16⅛	16	16⅛	
4⅛	3⅛	AMCA	.12e	3.4	29	54	3½	3⅜	3½	
6⅛	4½	AM Intl			12	2034	6½	6¼	6½	+¼
23½	20⅝	AM In pf	2	9.6		51	20¾	20⅝	20¾	
107¼	48½	AMR			6	2208	71¼	70	70½	
6½	3⅝	ARX				23	4	4	4	
54⅜	37¼	ASA	3a	5.7		1113	53⅜	52⅞	52⅞	-⅝
30¼	15¼	AVX	.24	.8	29	190	29⅝	29¼	29¼	+¼
68½	44⅛	AbtLab	1.40	2.1	19	3321	65½	64⅛	65⅛	-¼
18¼	12¼	Abitibi g	1			2	12½	12⅜	12½	+⅛
13	7½	AcmeC	.40	4.1		12	9⅞	9¾	9⅞	+¼
9¾	5⅞	AcmeE	.32	3.8	11	6	8½	8½	8½	-⅛
38½	20¼	Acuson			25	124	37⅞	37½	37½	-⅛
17¼	14⅛	AdaEx	2.06e	14.		267	15⅜	15⅛	15⅛	+⅛
12⅝	6½	Adobe				175	11	10⅞	11	+⅛
19⅜	16½	Adob pf	1.84	10.		5	18⅜	18⅜	18⅜	-⅛
21⅝	19⅞	Adob pf	2.40	12.		17	20½	20½	20½	
10½	7¼	AMD				621	7¾	7⅝	7⅝	
35	28½	AMD pf	3	10.		11	28½	28¼	28½	+½
10⅛	6⅞	Advest	.12	1.4	13	1002	8⅞	8⅝	8⅞	+⅛
62½	48	AetnLf	2.76	4.6	10	1075	59¼	58¼	58⅝	+¼
14	11⅞	AfilPb	.22	1.8		841	12⅜	12¼	12⅜	+⅛
25	15⅛	Ahmans	.88	4.6	10	2817	19⅞	19½	19⅛	-½
4	2¼	Aileen				61	2¾	2⅝	2⅝	-⅛
48¾	37⅞	AirPrd	1.32	3.0	11	1531	44⅛	43¾	44⅛	+⅛
39⅝	18	AirbFrt	.60	1.6	19	344	38⅜	37½	37¼	-⅜
25¼	14½	Airgas			12	288	20⅞	20⅜	20¾	+⅛
20¾	18⅛	Airlease	2.40	12.	11	10	19¾	19⅝	19⅞	+⅛
10⅛	8½	AlaP dpf	.87	8.6		2	10⅛	10⅛	10⅛	
98⅝	88¼	AlaP pf	9	9.2		z100	97½	97½	97½	+½
102½	93	AlaP pf	9.44	9.3		z10	101⅝	101⅝	101⅝	-⅞
30½	18⅛	AlskAir	.20	.9	7	766	22¼	21½	21⅝	-⅝
23½	14⅜	Albnyln	.35	1.8	12	148	19⅞	19⅛	19⅞	+⅞
53⅜	32¼	Alberto	.36	.8	20	36	44½	44	44½	+½
41½	24⅞	AlbCulA	.36	1.0	16	24	36	35¾	36	+⅞
60¼	32⅞	Albtsn	.80	1.4	21	1086	57⅝	57¼	57⅛	-⅜
25⅛	19¼	Alcan s	1.12	5.1	6	1739	21¾	21⅝	21¾	+⅛
36⅝	23	AlcoStd	.76	2.3	12	1325	33⅛	32⅛	32⅞	+⅞
34	22⅝	AlexAlx	1	3.0	22	209	33	32¾	33	+⅛
71⅜	55¼	Alexdr			28	13	54½	d54¼	54¼	-1
103½	69½	AllegCp	1.63t	1.7	11	2	94	93½	94	
2⅜	7-32	vjAlgInt				100	7-16	13-32	13-32	
4⅞	¼	vjAlgI pr				4	7-16	7-16	7-16	+1-16
16⅛	⅞	vjAll pfC				6	1	1	1	
41⅝	29	AlgLud	1.20	3.2	7	245	37⅞	37½	37½	
40⅞	36⅝	AllgPw	3.08	7.5	11	504	u41	40⅝	41	+⅜
16⅞	9¼	AllenG			15	69	9¾	9¼	9¾	+¼
19⅞	12⅞	Allen pf	1.75	13.		38	13¼	13	13¼	-⅛
25½	15⅞	Alrgn n	.05e	.3		3024	16⅛	d15⅝	16	-⅛
15	10	AlnCap	1.48	9.9	20	70	14⅞	14¾	14⅞	
24⅞	23⅛	Allsh pf	.53e	2.2		31	24	23⅞	24	
27⅝	7⅛	AlldPd			10	291	7½	d 7⅛	7½	+⅛
40⅜	31⅝	AldSgnl	1.80	5.1	10	2256	35⅝	35⅜	35⅜	-⅛
10⅞	10	AlstMu	.78a	7.4		78	10½	10⅜	10½	
10⅛	9¼	AlsMI	.73	7.5		216	9⅞	9¾	9¾	
11⅛	9⅜	AMIO	.84	8.0		169	10⅝	10½	10½	-⅛
10½	9¾	AMIO2 n	.18e	1.8		278	9⅞	9¾	9¾	
10	9½	AMIO3 n	.04e	.4		392	9½	9½	9½	-⅛
10	9	AlsMP n	.69	7.6		617	9¼	9⅛	9¼	-⅛
41⅞	23	ALTEL	s1.28	3.5	18	238	36⅝	36⅛	36½	+⅛
79⅝	50⅝	Alcoa	1.60a	2.3	6	1959	68⅜	68⅛	68⅜	+⅜
17⅝	10⅝	AmaxG	.08	.5	33	x344	17¼	17⅛	17¼	
29¾	20¼	Amax	.80	3.2	4	1602	24¾	24⅜	24⅝	+¼
16⅜	10½	AmBes	.20	1.5	5	127	13⅛	13¼	13¾	
13⅝	11⅛	Amcast	.48	4.1	10	25	11⅞	11¾	11¾	+⅛
15⅝	5¼	Amdura			1	85	6¼	6⅛	6¼	+⅛
27⅞	10	Amdu pf	1.95	15.		4	12¾	12⅝	12¾	+¼
44½	27⅛	AmHes	.60	1.3	8	1667	u44⅞	44⅛	44¾	+⅝
32⅞	15⅞	ABarck	.15		69	3535	31½	30⅞	31⅛	-¼
81⅞	61½	AmBrnd	2.72	3.9	11	1299	69¼	69	69⅛	-⅛
29⅞	26⅝	ABrd pf	2.75	9.5		15	28⅞	28⅞	28⅞	
39¾	25	ABldM	.92	2.8	15	20	32½	32¼	32½	+⅜
27	18½	ABusP s	.80	4.1	11	14	19⅛	19⅝	19⅝	-⅛
21⅜	19⅛	ACapBd	2.20e	11.		42	20¼	20	20¼	+⅛
23⅞	19¼	ACapCv	2.55e	12.		3	22	21⅞	21⅞	-⅛
9⅜	7⅛	ACaptn	1.10a	14.		195	8⅛	7⅞	8	
11⅞	8¼	ACMR	.60	6.9	11	35	8⅝	8½	8¾	+¼
19-32	⅛	vjACent				10	9-32	9-32	9-32	
60⅛	44	ACyan	1.35	2.6	14	3447	51½	50⅝	51⅛	+⅜
31	25¾	AEIPw	2.40	7.8	10	1570	30⅞	30⅝	30⅞	
39⅛	25⅞	AmExp	.84	2.5	13	17848	34	33	33½	-⅛
22½	12¾	AFamly	.32	1.7	19	1148	19⅛	19	19	
38½	29½	AGnCp	1.50	4.3	9	947	35	34⅝	34⅞	+⅜
8¼	7⅜	AmGvI	.84a	11.		395	8⅛	8	8	-⅛
10⅛	8⅞	AGIP	1.06a	11.		220	10	9⅞	9⅞	
10½	9¼	AGTT	n1.02	10.		126	10⅜	10¼	10¼	-⅛
24	17⅞	AHltPr	2.28	9.9	14	181	23¼	22⅞	23⅛	+⅛
28½	25	AHerit	1.20	4.3	11	3	27⅞	27⅝	27⅞	
109	78⅜	AHome	3.90	3.7	15	2224	104⅞	103½	104⅜	+1⅜
85	45½	Amrtch	s2.92	4.9	13	3268	59⅞	59⅝	59⅞	
109	61⅞	AIntGr	.48	.5	15	1222	105¼	103⅛	105⅛	+1⅝
26¾	6⅛	AMI	.72	12.	7	886	6⅝	6⅛	6⅛	-⅜
8	6⅛	AMI wd				271	6⅝	6⅛	6⅛	-⅜
10⅛	9¾	AOIF n	.08e	.8		59	9⅞	9¾	9¾	-⅛
40⅞	28¾	APresd	.60	2.2	28	794	28⅝	27½	27⅝	-⅞
16¼	11⅜	AREst	2	17.	7	139	11⅞	11½	11⅞	
9⅜	7½	AmRlt	s1.52	19.	2	24	7⅞	7⅛	7⅞	+⅛
18¼	8	ASB	.80	8.0	7	79	10⅛	9⅞	10	+⅛
19½	10⅞	ASB pf	1.81	16.		128	11⅜	11¼	11½	+⅛
5½	2½	AShip				43	2½	d 2⅜	2⅜	-⅛
72½	51½	AmStor	1	1.8	25	244	57	56⅝	56⅞	+1⅛
45⅝	27⅛	AT&T	1.20	2.8	21	8804	43½	42¾	43⅜	+½
21½	16⅜	AmWtr	.74	4.2	10	144	17¼	17⅜	17¾	+⅛
15⅛	13¼	AWat pr	1.25	8.8		z100	14⅛	14⅛	14⅛	-½
15	6⅜	AmHotl	8c			25	6¾	6⅝	6⅝	
39¾	29⅜	Ameron	1.28	3.2	12	91	u40	38¾	40	+1½
20	12⅞	AmesDp	.10	.7	63	758	14⅝	14⅜	14½	
15⅞	12⅛	Ametek	.64	4.9	17	116	13⅜	13⅛	13⅛	-⅛
11	9¾	AmevSc	1.08a	10.		43	10⅝	10½	10⅝	
50½	34	Amoco	s1.90	4.0	14	3458	48⅛	47¼	47⅜	-¼
49⅞	40¼	AMP	1.20	2.9	15	4199	41½	41¼	41⅜	
15¼	6⅛	Ampco	.08	1.1		88	7⅛	7	7⅛	
29⅛	22⅞	AmSth	1.32	5.1	8	16	25⅞	25¾	25¾	
8¾	3⅝	Anacmp			17	1622	4¾	4⅝	4¾	+⅛
37½	24½	Anadrk	.30	.9	35	197	32⅛	32	32	+⅛
12⅞	8½	Analog			11	888	8¾	8½	8⅝	+⅛
29	19⅝	Angelic	.76	2.7	15	167	28¼	27¾	28⅛	+⅜
11⅜	8	AngelRl	1.52	15.		14	10¼	10⅛	10¼	+⅛
46	30	Anheus	.88	2.3	14	6573	38	37½	37⅞	-⅛
18⅛	7⅞	Anthem			13	494	15⅜	15⅛	15⅜	+⅛
20⅝	10⅝	Anthny	s.44	2.8	10	81	15⅝	15½	15⅝	+⅛
39⅛	26	Aon cp	1.40	3.7	12	471	u38⅞	38¼	38⅛	+⅜
16⅞	6⅛	Apache	.28	1.9	30	259	15⅛	14⅞	15⅛	+⅛
12⅞	11⅛	Apex n	.88	7.6		131	11⅝	11½	11⅝	
92½	80¼	ApPw pf	8.12	9.0		z280	90	90	90	-⅛
27⅞	25½	ApPw pf	2.65	8.9		1	29⅞	29⅞	29⅞	+⅛
38⅞	30	ApplBc			8	5	36⅜	36⅜	36⅜	
15½	8⅛	ApplMg			20	245	8⅞	9	8⅞	+⅛
33½	19⅛	ArchDn	.10b	.3	13	2273	31⅝	31⅛	31⅜	
22¼	12⅛	ArchD wi				20	21⅞	21½	21⅞	
40⅜	28¼	ArcoCh	2.50	7.2	7	218	34⅞	34½	34½	-⅛
27⅝	18¼	Aristec s	1	4.5	8	3470	22½	21⅝	22	+½
25⅛	18⅛	Arkla	1.08	4.6		3279	23¼	23	23⅛	+⅜
48	38	Arkla pf	3	6.7		259	45¼	45	45	-½
13½	9	Armco	.20e	2.0	5	5387	10⅛	10	10	-⅛
24⅞	21⅞	Armc pf	2.10	9.4		12	22⅞	22⅜	22⅜	+⅛
50⅞	31⅞	ArmWI	1.06	2.5	12	1533	42	41¼	41⅞	+⅝
6⅞	4⅛	ArowE				37	4⅝	4⅝	4⅝	
14⅝	9½	ArwE pf	1.94	20.		101	9⅝	9½	9½	-⅛
36¼	11	Artra				127	12	11	11⅞	+½
26¾	14½	Arvin	.68	4.7	16	65	14⅜	14⅛	14½	-⅛
35⅞	25¼	Asarco	1.60	4.8	6	366	33⅛	32⅞	33⅛	+⅜
15⅞	10⅞	AsCoal	.32	2.2	11	348	14⅞	14¾	14⅞	+⅛
43	31⅝	AshOil	1	2.9	31	x280	34⅞	34½	34⅞	+⅜
16¼	6	AsiaPc	.07e	.5		281	13¾	13⅝	13¾	+⅛
14⅞	5⅞	AsetInv	1.57e	16.	6	571	10	9½	10	+½
7⅛	3⅞	AtalSos	.40e	9.1	7	37	4½	4¼	4⅜	-⅛
23¼	11½	Athlm s	1	8.1	7	39	12⅜	12	12⅜	+⅛
28⅝	23⅞	AtlGas	1.96	7.2	14	107	27⅛	27	27⅛	
38⅛	32½	AtlEnrg	2.86	7.5	10	219	u38⅛	37⅞	38⅛	+⅛
108¼	76⅝	AtlRich	4.50	4.5	11	2841	100⅜	99¼	99½	-1
268⅞	183	AtlRc pr	2.80	1.2		4	240¼	240	240¼	-1½
18½	10⅞	Atlas s			27	57	17⅛	16⅞	16⅞	-⅛
17⅝	14⅝	ATMOS	1.16	7.1		14	16½	16⅜	16⅜	-⅛
7⅛	3	AudVd				21	3⅜	3⅜	3⅜	-⅛
15⅝	10½	Augat	.40	3.2	20	37	12½	12½	12½	-⅛
16	10⅜	Austr n				156	12⅞	12⅞	12⅞	+⅛
50¾	35⅜	AutoDt	.60	1.3	19	1010	47⅛	46¼	47⅛	+⅝
7⅛	3½	Avalon	1.01e	16.		1	6½	6½	6½	-⅛
27½	20⅞	AVMCO	.40	1.7	14	133	24	23⅝	23⅝	-⅛
30⅞	20⅞	Avery	.56	1.9	15	505	30	29⅜	29⅜	-⅛
29⅞	19¼	Avnet	.60	2.1	18	685	28⅞	27⅞	28⅞	+1⅛
30⅞	20½	BkBost	1.24	6.9	11	686	21¼	20⅞	21	+⅛
42	34½	BkB pfA	3.48e	10.		19	34½	d34	34	-½
40⅛	33¼	BkB pfB	3.62e	11.		36	33½	d33	33	-⅜
74	59	BkB pfC	6.54e	11.		z320	60	59	59	
26	13⅞	BkNE	1.36	9.1	6	3251	15⅛	14½	14⅞	+⅛
65	34	BkNY	2.12	4.8	10	[illegible]	43⅞	43½	43¾	+⅛
102	98¼	BNY adj	8.89e	9.0		63	99	99	99	+⅛
36⅜	16¾	BnkAm	.60	2.0	7	5950	30	29⅝	29⅞	
38⅛	33	BkA pf	3.48e	9.8		125	35⅞	35¼	35½	
65⅞	54⅞	BkA pf	8e	9.5		13	63¾	63⅛	63⅛	-⅛
7⅛	5⅛	BkA pf	2.25			229	5¾	5⅛	5⅛	-⅛
58⅛	34½	BankTr	2.08	4.5		1275	46¾	46⅜	46⅜	
16⅞	7⅞	Banner s			4	198	15¼	15⅛	15¼	
36½	28¾	Barclay	1.80e	5.6	5	98	33	32⅞	32⅞	+⅛
26⅛	24	BarB pr	1.18e	4.8		201	24⅞	24⅜	24⅞	
28⅜	23⅛	BarB pf	.09e	3.8		165	24⅛	24	24⅛	+⅛
28½	18¾	Bard	.40	2.0	15	1050	19¾	19½	19¾	
36¾	31⅞	BarnGp	1.40	4.4	12	20	32	d31¾	32	+⅛
40	31½	Barnett	1.20	3.5	8	1764	34⅛	33⅞	34	-⅛
10½	4⅝	Baroid n	.20	2.3	41	822	8⅝	8½	8⅝	
17½	13	BatlMt	.10	.6	35	3638	17¼	16⅞	17	-⅛
64	39⅞	Bausch	1.16	1.9	17	537	62½	61½	62⅛	+½
24⅞	16¾	Baxter	.56	2.4	16	4036	23⅛	23	23⅛	+⅛
40	36	Bax pfA	3.65e	9.8		1	37¼	37¼	37¼	+⅛
74	56¾	Bax pfB	3.50	5.0		39	70⅛	70	70⅛	-⅛
14	1	BayFin				5	2⅞	2⅞	2⅞	
21¾	15⅛	BayStG	s1.20	5.8	11	96	21⅛	20⅝	20⅝	-⅛
17⅞	12¼	BearSt	.58b	4.2	7	1423	13⅜	13⅛	13¼	-⅛
32⅞	22¼	Bearg s	.64	2.3	11	57	27⅞	27⅜	27½	-⅛
15½	8⅛	Beazer	.61e	6.6	6	15	9¼	9⅛	9¼	-⅛
22¾	17⅛	Bcklns	.28e	1.6	11	393	17⅞	17⅜	17½	-⅛
61	48⅜	BectDk	1	1.7	14	736	58	57¾	57⅞	-⅛
39	26¾	BeldnH	.64	1.9	11	17	33¾	33½	33½	+⅛
104⅝	69⅞	BellAtl	4.40	4.2	16	2004	103¼	103	103⅝	+1
17¼	13¾	BellInd	.40	2.5	17	208	15⅞	15½	15¾	+⅛
55⅝	39⅞	BellSo	2.52	4.9	14	1730	51⅞	51¼	51⅞	+⅛
41	22⅜	BeloAH	.44	1.2	44	178	38½	38⅛	38¼	-⅛
37½	20⅞	Bemis	.60	1.8	19	92	33⅛	32½	33⅛	+⅛
55⅞	42⅞	BenfCp	2.20	4.4	11	369	50⅛	49⅜	49⅞	
47½	41	Benef pf	4.50	9.8		z70	46½	45¾	45¾	-⅜
3	1⅝	BngtB e			11	1645	3	2⅞	3	
14⅞	12¼	Benetn n				96	13	13	13	
9-16	1-16	vjBerkey				85	1-16	d15-256	15-256	-1-256
8900	4600	BerkHa			[illegible]	z40	8330	8325	8325	+20
15⅜	11¾	BeryP s	.55	4.1	22	114	13½	13¼	13⅜	
11½	5⅞	BestBy			119	30	6⅞	6¾	6¾	-⅛
28½	15¾	BethStl	.10e	.6	5	2083	16¾	16½	16¾	+⅛
56¼	46½	BthSt pf	5	11.		12	47¼	47	47⅛	+⅛
27⅞	23⅛	BthS pfB	2.50	10.		166	23⅞	23½	23⅞	+⅛
10	3¾	Beverly				1070	6⅝	5⅞	6⅜	+⅛
23⅛	7⅝	Blocft	.10e	.5	20	298	22	21⅝	21⅛	-⅛
29⅞	20⅞	BlrStl	.50	1.7	10	583	29	28⅞	28⅞	-⅛
25¼	18⅛	BlackD	.40	1.9	16	2443	21⅛	20⅜	21	+⅛
29⅞	24½	BlkHCp	1.52	5.5	12	86	28¼	27⅝	27⅞	+⅛

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NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 15

NASDAQ NATIONAL MARKET

3pm prices November 15

AMERICA

Rising bonds and takeover talk help Dow edge higher

Wall Street

A COMBINATION of takeover speculation, a modest rally in the bond market and some short-covering after Tuesday's decline helped the equity market to small gains by midsession yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 9.01 higher at 2,619.26 on moderate volume of 87m shares by midsession. The Dow had fallen 16.18 points on Tuesday.

Equities started a little higher yesterday, as Treasury bond prices moved higher but then dipped back. In mid-morning, buy programmes were triggered as Standard & Poor's 500 futures contracts, pushed higher by bond futures, hit sharp premiums to their underlying stocks in the cash market.

The bond market posted small price gains in response to the weak economic data for October published on Tuesday and to the successful completion of the record quarterly refunding.

With little else happening yesterday, the equity market moved in tandem with bonds.

Trading volume has declined to sluggish levels over the last few sessions. In the past four trading days, volume has not broken 150m shares. In these thin conditions, minor pieces of news or fluctuations in the bond market can swing prices wildly.

There is little overall direction in the equity market. Last week's small easing by the US Federal Reserve is no longer a positive factor in a stock market that wants a more aggressive easing to allay fears about corporate profitability as the economy slows. One factor that undermined the market on Tuesday was a disappointing earnings forecast from Paramount Communications.

The next piece of economic news to be digested is today's September trade balance. Forecasts range from a deficit of $9bn to $9.5bn, compared with the shortfall for August of $10.8bn.

Among featured issues was Avon Products, which added $2 to $37⅞ on takeover speculation. There was a US press report that a group which includes an executive from Mary Kay Cosmetics, billionaire Mr Gordon Getty and the Fisher Brothers of New York had boosted its 6.9 per cent stake in the company and was seeking finance for a takeover bid in the range of $43 to $45 a share.

Mylan Laboratories rose $1¼ to $23⅞ and Bolar Pharmaceutical added $1⅜ to $19⅞. The two companies have developed jointly a drug called Eldepryl, a treatment for Parkinson's Disease, and rose yesterday because of a favourable article about to be published in the New England Journal of Medicine.

MCA gained $1¾ to $67¾ on takeover speculation. A US press report cited the company as a leading merger target for Paramount Communications. Mr Martin Davis, Paramount's chairman, has said that his company is looking at a number of potential acquisitions, mergers and joint ventures in the entertainment industry.

Castle & Cooke gained $1¼ to $34⅞ on speculation that the company's chairman may be considering taking the company's Dole Food business private.

Tiffany rose $⅝ to $49½ after the company announced third-quarter earnings of 48 cents a share – above analysts' forecasts.

In over-the-counter trading, Evans & Sutherland Computer jumped $2⅝ to $22¼. The company said that it planned to terminate its high-performance supercomputer project if a buyer or partner could not be found within 60 days.

Canada

LIGHT TRADING left Toronto stocks stronger at midday yesterday. The composite index rose 15.6 to 3,958.7 on volume of 16m shares. Advances led declines by 254 to 224.

Laidlaw advanced C$1½ to C$25 after the company said it had paid C$240m for Tricil Corp.

EUROPE

Individual stocks begin to make the running again

ONCE AGAIN, there were more falls than rises in the continental indices yesterday, and there seemed to be more interest in the examination of individual stocks than in macro-economic or political issues, *writes Our Markets Staff.*

PARIS found something of its old spirit during the afternoon, after drifting lower in the morning on worries over interest rates and the fall overnight on Wall Street.

Volume remained thin, but was thought to be slightly better than Tuesday's FFr1.9bn. The OMF 50 index lost 0.42 to 495.61, while the real time CAC 40 edged up 2.11 to 1,816.63.

Bon Marché, the department store controlled by Mr Bernard Arnault's Financière Agache, jumped FFr61, or 6 per cent, to FFr1,043 on speculation that Mr Arnault might be selling his stake in Conforama, the household and electrical retailer that he controls through Bon Marché. Conforama, quoted on the second market, was suspended at FFr1,169 because of excessive demand.

There were suggestions that Mr Arnault might in turn be trying to buy up shares to consolidate his position in LVMH, where he is chairman but under attack from Mr Henry Racamier, head of the group's luggage subsidiary. LVMH, which also reported a 22 per cent rise in nine-month sales, was up FFr130 at FFr4,950.

Another star performer was housebuilder Maisons Phénix, which jumped FFr8.70, or 11.7 per cent, to FFr83.10 on news that it expected to break even this year instead of reporting a loss and that Générale des Eaux, the controlling shareholder, was merging it with two property management companies.

FRANKFURT tried to resume its uptrend, but a rally early in the session was snuffed out by a lack of follow-up orders and by profit-taking. The FAZ index eased 1.24 to 635.53 at midsession and, at the close, the DAX was 5.79 lower at 1498.06. Volume eased from DM6.1bn to DM5.3bn.

If the index had been volume-weighted, the result might have been different. Siemens, Volkswagen and Deutsche Bank topped the most-active stocks list, in turnovers of DM966m, Dm443m and DM406m respectively. Their share prices were up, the first two on good interim results, by DM5 to DM585.50, DM6 to DM447 and DM2 to DM670.

However, other blue chips made bigger losses in smaller turnover, Daimler tumbling DM16 to DM647 in DM169m, and BMW DM8 to DM515 with its volume out of the top 10.

AMSTERDAM had another day of low volume, falling further on concern that interest rates in West Germany would be pushed up by the inflationary impact of the East German exodus. The CBS tendency index eased 0.60 to 178.20 in turnover worth Fl 420m.

Unilever was again strong against the trend, rising Fl 1.70 to Fl 150.70.

BRUSSELS overcame its interest rate fears to close mixed to higher, with the cash market index up 41.72 at 6,503.58. Tractebel, the energy and engineering holding company, added BFr290 to BFr9,390. It said it was considering merging its three utility subsidiaries.

MILAN fell in moderate trading, the Comit index closing 3.78 lower at 652.47. Selling pressure dominated in spite of short-covering on the last day of the November account.

However, losses were contained by news that Italy's governing coalition had reached agreement on a controversial Bill to transform public banks into joint stock companies. Banca Commerciale Italiana rose L35 to L4,890, while Credito Italiano added L35 to L2,655.

Within the Ferruzzi group, Agricola Finanziaria posted an improvement. There is speculation that a capital increase, or some other type of financial operation, is in preparation. While the shares closed L12 lower at L2,473, they reached L2,530 after hours.

MADRID accelerated on the way down, the general index losing 3.54 to 295.70 after dipping below 300, previously regarded as a key support level, on Tuesday.

The market has been weighed down by selling by foreigners, who are switching into bonds because of the uncertain international outlook, said an analyst.

COPENHAGEN was in the mood for more financial mergers after Tuesday's news of that between Danske Bank and Copenhagen Handelsbanken. Banking and insurance stocks rose, helping the bourse index up 2.82 to 351.50.

Privatbanken gained DKr13.50 to DKr328 and Baltica Holding picked up DKr20 to DKr745 – both on rumours of tie-ups with SDS Holding.

Elsewhere, Superfos, the construction to packaging group, lost DKr260 to DKr5,090 after halving its profits forecast for 1989, while Novo-Nordisk's B shares added DKr11 to DKr309 on its prediction of a 10 per cent profits rise.

STOCKHOLM again fell sharply in relatively active trading as rising interest rates worried investors. The Affärsvärlden General index lost 16.7, or 1.4 per cent, to 1,173.8 in turnover of SKr377m, up from Tuesday's SKr230m.

Volvo B shares eased SKr12 to SKr433 and Ericsson free Bs fell SKr6 to SKr829 – both report results today.

India falls back as political picture clouds

R C Murthy explains why encouraging economic fundamentals are being overlooked

INDIA'S STOCK markets are moving downhill. Investors' confidence that Prime Minister Rajiv Gandhi's Congress Party will win an absolute majority at the national elections in a week's time has been eroded.

Traders were surprised when the opposition parties agreed to field a single candidate against Congress in 350 out of 542 parliamentary constituencies. The aim here was to eliminate the split in the opposition vote which has benefited the ruling party in the past.

The one-to-one contest has increased the chances of the opposition's winning a larger number of seats than had been expected earlier.

The 30-share index of the Bombay Stock Exchange – India's largest, accounting for more than half of total national trading – fell 40 to 704 in the week to November 10. This was even though the state-owned investment institutions had lent support to stem the drift. The broad-based 100-share index lost 8 points to 383.09 over the same period.

An added difficulty this week has been the closure of the Bombay Stock Exchange after a fire on Sunday, which gutted two floors of the 25-storey skyscraper. It is hoped that the exchange will reopen tomorrow.

About 4,800 stocks are listed on the Bombay Stock Exchange, which has a market capitalisation of about Rs545.6bn ($32.7bn). India has registered the third fastest growth of the emerging markets, after Taiwan and South Korea and ahead of Brazil. The number of listed companies in the country's markets quadrupled from 1,151 in 1983 to 5,560 in 1987 and market capitalisation jumped from $14.5bn to $273bn.

The sudden, October announcement to hold general elections in five weeks' time jolted the markets, and the 30-share index plunged below 700 for the first time in four months.

Election worries and short-term technical considerations have since outweighed economic fundamentals. Monsoon rains have been well spread throughout the country, raising hopes of a good harvest this year. Gross national product is projected to grow at more than 5 per cent for the second year in succession.

Corporate results have also

Doubts about prospects for Gandhi have hit confidence

been good. Profits of Tata Engineering in the first half to September rose by one half, to Rs91m. Although its Pune truck plant has been hit by labour trouble since May, Tata Iron and Steel profits were up by one fifth to Rs665m in the first half.

Selling pressure was strong in October, as shares were offloaded to raise funds for subscription to several jumbo issues which were coming to the market. Half a dozen companies, including the blue chip Essar Gujarat, Larsen and Toubro, Oswal Agro and Usha Rectifier Corporation, made convertible bond offers for a combined Rs30bn, causing a liquidity squeeze.

Share values bounced back, however, after investment institutions made heavy purchases at (say traders) the behest of the Government.

Unit Trust of India, the main institutional player in the market controlling Rs100bn worth of investment funds, operates against the tide – buying while others sell, and vice versa – says Mr M J Pherwani, chairman. Sentiment has been dampened by rising political uncertainties and waning confidence that the ruling party will secure an absolute majority at the hustings.

Most Bombay businessmen approve of Mr Gandhi's industrial policies, and want to see him returned to power for that reason.

The ailing confidence is reflected in a crash of share values of companies with managements closely identified with the ruling party. Reliance Industries plunged to Rs76 at the weekend from Rs100.50 a month ago, while Larsen and Toubro, which became part of the Reliance conglomerate last year, fell to Rs77 from Rs102.

But Bombay Dyeing and Manufacturing, whose chairman, Mr Nusli Wadia, was not on the best of terms with Mr Gandhi's Administration, has risen Rs14 to Rs139 over the month.

Selling pressure on the stock market last week was halted on Friday, when the BSE authorities put restrictions on trading on eight key scrips, including Tata Steel, Reliance, and Larsen and Toubro. Brokers are not permitted to increase their net outstanding positions in these eight scrips above the prescribed limits.

Observers, however, are bullish in the medium term. Mr Ram K Pipariya of Aridhi Investment Consultants says the markets will have to rise, driven by the strong fundamentals. And the international situation means that deregulation and economic liberalisation will continue – there is unlikely to be a reversal of that, which ever party comes to power.

ASIA PACIFIC

Firmer yen pushes Nikkei to another record

Tokyo

CONFIDENCE returned strongly yesterday as the yen firmed against the dollar and bonds rose, pushing the Nikkei average to a third consecutive record in active trading, *writes Michiyo Nakamoto in Tokyo.*

With six days of gains behind it, the market opened on a buoyant note which it managed to sustain for most of the day. The Nikkei average came teasingly close to the 36,000 level, reaching an intraday high of 35,976.78, before closing with a gain of 83.59 at 35,852.23.

Profit-taking at higher levels had sent the index to a day's low of 35,805.39. Advances led declines by 466 to 449, with 198 issues unchanged. Turnover spurted to a healthy 1.2bn shares from the 936m traded on Tuesday. The Topix index of all listed shares advanced 7.89 to 2,717.87, while the ISE/Nikkei 50 index in London rose 7.74 to 2,070.37.

Investors stepped up buying of a variety of issues that stand to benefit from strong domestic demand. Reports from the US appeared to indicate an easier monetary stance, which in turn led to hopes of lower domestic interest rates.

Against the background of a stable currency market now and expected political uncertainty before national elections early next year, investors participated more actively in the hope of reaping profits while they could. There was a growing feeling that the US economy was slowing and that the Japanese economy, while still strong, had approached, if not passed, its peak.

News in the afternoon that two leading Japanese electronics companies, Hitachi and Toshiba, were revising their earnings downwards, seemed to confirm this suspicion.

Increasingly, attention was turning to issues that were not too dependent on earnings growth, but had high book value per share, said Mr Hiroshi Taguchi of Nomura Securities. These included steels, shipbuilders, railways and real estate companies.

Dealer activity has helped kick life back into the large-capital steels and shipbuildings, and the recent rise in Ishikawajima Harima Heavy Industries to record highs has made other shipbuilders and steels look cheap.

Yesterday, interest focused on Sumitomo Metal Industries, which topped the actives list with 72.2m shares traded and gained Y2 to Y761, after rising to a high for the day of Y767. Mitsubishi Heavy Industries advanced Y20 to Y1,160.

Among railways, Tobu was favoured for its property holdings in an area outside Tokyo that is expected to see substantial growth. Tobu was third in volume with 32.9m shares traded and closed Y60 higher at Y1,790.

Toyo Tire and Rubber advanced Y150 to a record Y1,800 and was second in volume terms with 35.5m shares. The company is expected to see a 31 per cent rise in profits in the year to March 1990.

Large-capital issues were actively bought in Osaka, where the OSE average breached the 37,000 level to close at another record high of 37,001.24, up 64.96. Volume fell to 127m shares from Tuesday's 143m.

Roundup

THE TRIALS of the antipodean entrepreneur continued to feature in the Sydney and Wellington markets yesterday, although there was one coup, by a company called Adelaide.

AUSTRALIA did not warm perceptibly to Adelaide Steamship's bid for Industrial Equity. Industrials fell, golds rose a little and the All Ordinaries index eased 6.0 to 1,627.7.

Adsteam lifted its holding in IEL to more than 50 per cent with the purchase of Goodman Fielder and Brierley stakes, accounting for 258m shares. The bid rose to A$2.30 a share, but IEL closed 3 cents lower at A$2.22. Market turnover was inflated accordingly, at 355m shares and A$755m compared with 102m and A$179m on Tuesday. Adsteam fell 2 cents to A$7.24.

Elders IXL eased 2 cents to A$2.29. On Monday, a local credit-rating agency downgraded some of its debt. Bond Corp lost 4 cents to 26 cents while its associate, Bell Resources, fell 7 cents to 86 cents. Bond's auditor has cast doubt on the value of some of the company's assets.

Bougainville Copper was another notable faller, losing another 12 cents to A$1.58 as discussions continued with the Papua New Guinea Government over its strife-torn mine, closed since May 15.

NEW ZEALAND had a quiet day as the Barclays index ended 6.09 lower at 2,079.38. Goodman Fielder rose 6 cents to NZ$1.63 on the Adsteam/IEL deal, while Brierley ended steady at NZ$2.13. Bank of New Zealand slipped 2 cents to 96 cents; while the bank returned to interim profitability, the market had hoped for more.

HONG KONG continued its careful upturn, the Hang Seng index rising 13.82 to 2,793.40. Turnover increased from HK$726m to a moderately active HK$990m.

KUALA LUMPUR's composite index rose 2.64 to 481.61 as strong speculative interest in plantation stocks spilled over into other sectors. Meanwhile, the KLSE said that the delisting of Singapore stocks would have a minimal effect on the index, as there are only two Singapore-based companies in the 83 component stocks.

SOUTH AFRICA

GOLD ISSUES overcame light profit-taking in Johannesburg to end higher, with strong demand for smaller stocks from the US and Europe.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 14 1989						MONDAY NOVEMBER 13 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147.92	-0.4	138.66	125.17	+0.0	5.32	148.48	139.29	125.23	160.41	128.28	148.08
Austria (19)	145.43	-0.6	136.33	140.19	-1.2	1.74	146.37	137.30	141.83	172.22	92.84	97.31
Belgium (63)	140.90	+1.7	132.09	135.34	+1.2	4.09	138.54	129.95	133.75	144.49	125.58	132.10
Canada (122)	148.71	-0.5	139.40	126.04	-0.3	3.22	149.52	140.25	126.40	154.17	124.67	115.65
Denmark (36)	216.30	+1.4	202.77	211.74	+1.0	1.48	213.35	200.13	209.58	219.89	165.35	146.30
Finland (25)	120.74	-0.3	113.19	108.61	-0.7	2.60	121.16	113.65	109.41	159.16	120.74	129.67
France (127)	131.17	+0.3	122.97	129.11	-0.3	2.88	130.72	122.62	129.49	139.94	112.57	106.67
West Germany (96)	96.85	-1.2	90.80	93.03	-1.9	2.21	98.06	91.98	94.87	103.84	79.56	85.84
Hong Kong (48)	117.57	+0.6	110.22	117.94	+0.6	4.83	116.86	109.62	117.23	140.33	86.41	105.32
Ireland (17)	156.64	+0.8	146.84	153.64	+0.3	2.88	155.32	145.70	153.15	168.69	125.00	130.00
Italy (97)	88.42	+1.1	82.89	89.35	+0.5	2.56	87.49	82.07	88.89	96.73	74.97	83.36
Japan (455)	186.80	+0.5	175.12	169.62	+0.3	0.48	185.90	174.38	169.03	200.11	164.22	163.66
Malaysia (36)	194.81	+0.6	182.63	202.69	+0.6	2.62	193.72	181.72	201.44	209.22	143.35	138.14
Mexico (13)	285.38	-1.2	267.53	824.06	-0.7	0.63	288.87	270.97	830.00	326.61	153.32	158.91
Netherland (43)	124.53	+0.5	116.74	118.53	-0.2	4.49	123.97	116.29	118.82	131.72	110.63	108.15
New Zealand (18)	75.31	+0.7	70.60	68.00	+0.5	5.20	74.79	70.16	67.67	88.18	62.64	73.15
Norway (24)	171.45	-0.6	160.72	161.56	-1.1	1.55	172.91	162.19	163.40	196.39	139.92	121.16
Singapore (26)	156.92	-0.3	147.11	141.92	-0.2	2.08	157.34	147.59	142.19	170.62	124.57	118.60
South Africa (60)	167.60	+0.7	157.12	143.98	+1.1	3.94	166.43	156.12	142.39	187.61	115.35	119.43
Spain (43)	153.51	-0.2	143.91	136.41	-0.6	3.81	153.86	144.33	137.25	168.75	143.14	149.98
Sweden (35)	170.62	-1.4	159.95	163.17	-1.6	2.10	173.01	162.29	165.83	188.94	138.45	131.37
Switzerland (64)	84.88	-0.9	79.57	85.68	-1.4	2.20	85.62	80.31	87.10	94.16	67.81	83.78
United Kingdom (305)	143.14	+0.1	134.19	134.19	+0.1	4.55	143.06	134.20	134.20	156.41	133.28	136.68
USA (546)	137.29	-0.5	128.70	137.29	-0.5	3.38	137.98	129.41	137.96	146.29	112.13	109.49
Europe (995)	124.16	+0.0	116.41	118.22	-0.4	3.55	124.22	116.52	118.69	132.95	112.63	113.67
Nordic (121)	166.43	-0.2	156.02	154.13	-0.5	1.84	166.76	156.43	154.86	178.38	137.95	125.73
Pacific Basin (668)	182.57	+0.5	171.15	165.76	+0.3	0.73	181.73	170.47	165.20	194.72	160.44	179.08
Euro-Pacific (1663)	159.29	+0.3	149.32	146.74	+0.1	1.62	158.80	148.96	146.59	168.96	141.56	152.91
North America (668)	137.87	-0.5	129.25	136.60	-0.5	3.37	138.55	129.96	137.24	146.66	112.79	109.61
Europe Ex. UK (690)	111.73	-0.1	104.75	108.43	-0.7	2.84	111.83	104.91	109.16	118.51	96.30	99.20
Pacific Ex. Japan (213)	131.68	+0.0	123.45	117.74	+0.2	4.84	131.67	123.52	117.53	140.05	111.93	124.25
World Ex. US (1856)	159.08	+0.3	149.13	146.25	+0.1	1.69	158.63	148.80	146.10	166.35	141.49	151.30
World Ex. UK (2099)	150.97	+0.0	141.53	144.08	-0.1	2.01	150.92	141.57	144.22	159.04	138.98	135.12
World Ex. So. Af. (2344)	150.15	+0.0	140.76	143.13	-0.1	2.22	150.10	140.80	143.27	155.92	135.67	135.34
World Ex. Japan (1949)	132.91	-0.3	124.60	129.53	-0.4	3.60	133.30	125.04	130.05	140.43	114.51	111.95
The World Index (2404)	150.25	+0.0	140.86	143.13	-0.1	2.23	150.20	140.90	143.26	155.89	136.68	135.24

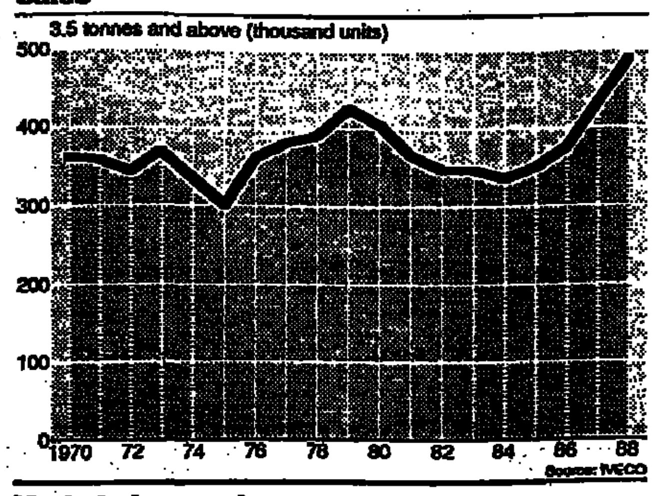
Latest prices were unavailable for this edition.

SECTION III

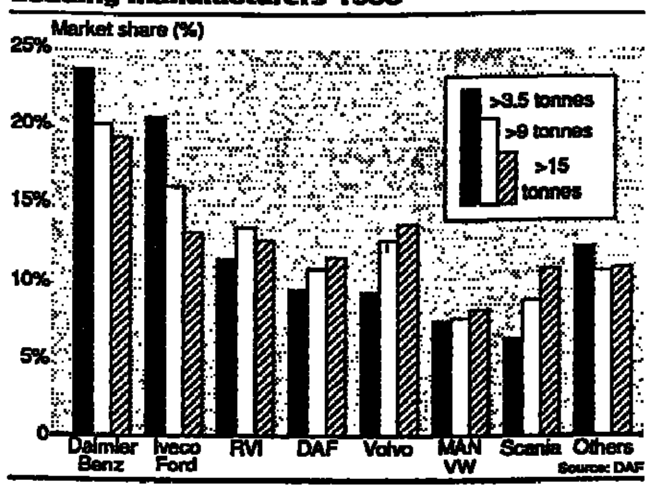
FINANCIAL TIMES SURVEY

West European truck market

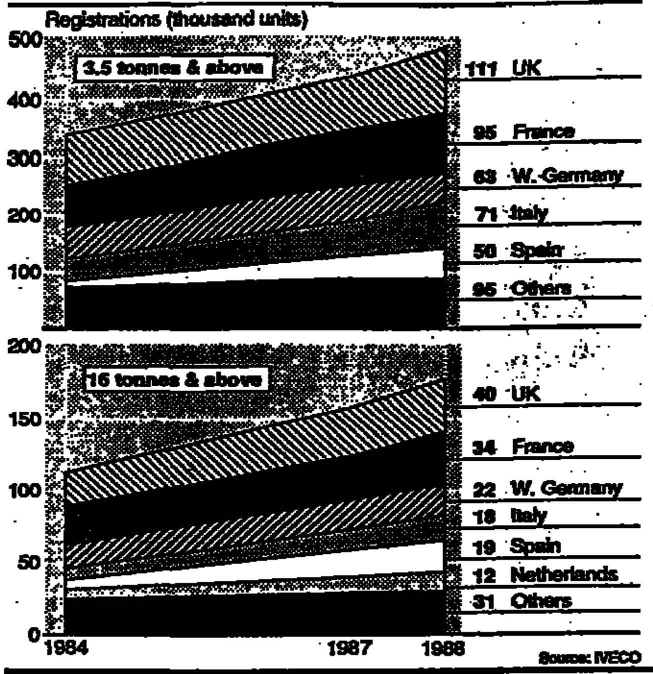
Sales



Leading manufacturers 1988



Markets by country



World's leading producers of trucks 16-tonnes and above gross vehicle weight (GVW)*

	1984	1985	1986	1987	1988
1 Daimler-Benz	63,000	59,000	61,000	70,000	78,000
Mercedes-Benz	43,000	39,000	41,000	43,000	49,000
Freightliner	20,000	20,000	20,000	27,000	29,000
2 Volvo Group	45,000	55,000	57,000	48,000	55,000
Volvo	27,000	27,000	27,000	29,000	34,000
White/GMC	9,000	10,000	11,000	11,000	20,000
GMC	9,000	18,000	14,000	8,000	1,000
3 Renault Group	48,000	47,000	41,000	46,000	54,000
Renault	19,000	19,000	20,000	22,000	27,000
Mack	29,000	28,000	21,000	24,000	27,000
4 Paccar Group	32,000	26,000	24,000	33,000	41,000
Kenworth	16,000	14,000	13,000	18,000	21,000
Peterbilt	15,000	11,000	10,000	14,900	18,000
Foden	1,000	1,000	1,000	1,000	2,000
5 Navistar	36,000	31,000	33,000	35,000	40,000
6 Iveco (Iveco-Ford)	18,000	21,000	22,000	24,000	29,000
7 Scania	22,000	23,000	26,000	27,000	28,000
8 Hino	19,000	18,000	14,000	19,000	27,000
9 Daf	17,000	21,000	18,000	21,000	23,000
10 Mitsubishi	17,000	16,000	13,000	17,000	27,000

*Estimate

Source: Volvo Truck

The World TRUCK INDUSTRY

West European truck makers have set out on a fresh wave of restructuring and are looking for markets in south-east Asia. In North America an air of unease prevails in contrast to a mood of optimism in Japan. **Kevin Done** reports

Search for new alliances

THE European truck industry is delicately poised. Truck-makers are enjoying record profits, the stragglers of the industry have finally put their houses in order, and most truck manufacturers can point to record production and sales levels.

Demand appears to have peaked during the second half of the year, however, and truck-makers are divided on how sharply sales will fall in 1990-91. At the same time in the midst of its current prosperity, the European truck industry appears to have embarked on a new wave of restructuring, a development long expected but which few had forecast before the downturn finally began to bite.

In 1950 there were 55 independent commercial vehicle-makers in West Europe. By last year the number was down to 11, and the process of concentration is hardly finished yet.

After several years of accelerating profits, US truck-makers are also bracing themselves for a recession after successfully recovering from the one that severely shook the industry in the early 1980s. The industry is in the early stages of a cyclical down-turn with falling sales and warnings of layoffs and plant closures.

Japan's domestic truck market, the world's second largest single heavy truck market with a volume last year of around 60,000 trucks, is still riding a two-and-a-half year surge in demand deriving mainly from vigorous Government investment in the public sector.

In Europe the latest round of restructuring was begun by MAN, the medium-sized West German commercial vehicles maker, which has recently reached agreement to take over the truck operations of Steyr-Daimler-Puch in Austria, much to the consternation of DAF of the Netherlands, which had appeared to have the deal already sewn up.

The industry's immediate attention has since switched to Spain, where the leaders of the European pack have been competing fiercely to take over Enasa, the Spanish state-owned maker of Pegaso trucks, which includes Seddon Atkinson in the UK.

The battle has been waged between Iveco, the commercial vehicles subsidiary of Fiat of Italy, Volvo of Sweden, DAF, and a West German consortium led by MAN, but including Daimler-Benz, its much bigger domestic rival.

The Steyr and Enasa deals represent the final obvious restructuring moves in the European truck industry. Alone both have lacked the necessary critical volumes to survive and they have been among the industry's weakest financial performers. However, the fact that both have attracted rival bidders, illustrates the eagerness of the bigger players in the industry to spread their service and distribution networks through Europe, to acquire market share and to add ready-made capacity.

As the industry approaches the challenges of the single European market of the 1990s, which appears certain to prompt substantial reforms in the transport industry and therefore among the truck-makers' customer base, the industry appears to have been overtaken by an almost feverish atmosphere, in which the stock response to rumoured talks is that "everyone is talking to everyone else."

While the Steyr and Enasa takeovers have long been on the cards, the industry has been far more surprised by announcements that talks are under way between some of the jumbo players in the industry.

The Volvo share price jumped last month amid a bout of speculation in financial markets that the Swedish car and truck-maker was engaged in far-reaching negotiations with Renault, the French state-owned car and truck manufacturer.

Reports in the Swedish press have suggested that the talks could lead to an eventual merger of the two companies' automotive operations, which would create the world's biggest truck manufacturer, overshadowing even Daimler-Benz.

Both companies have a considerable presence not only in Europe, but also in the North America, Renault through its associate Mack, and Volvo through its successive takeovers of the White Motor and General Motors heavy truck operations. Volvo has confirmed that "discussions of a preliminary nature are under way with Renault at present."

In an interview with the Financial Times Mr Pehr Gyllenhammar, Volvo chairman and chief executive, said that the Swedish group had held "exploratory talks" with Renault Véhicules Industriels, the Renault group's truck subsidiary. RVI was strong in France and had a good position in southern Europe, whereas Volvo had a larger international coverage of the market. "We could be complementary," he said.

While the sheer size of the Volvo/Renault talks cast a shadow over the rest of the industry – the two groups are the number two and three heavy truck-makers in the world – the potential scope of their discussions is easily rivalled by the recent suggestion by Mr Edzard Reuter, chief executive of Daimler-Benz, that the West German group is looking for potential co-operation deals with Fiat. The main interest has been shown in the aerospace sector, but Mr Reuter said that there were also possibilities for co-operation between the two groups in the commercial vehicles industry.

Within the European market alone Daimler-Benz and Iveco, the Fiat commercial vehicles subsidiary, are the market leaders controlling 23.7 per cent and 20.5 per cent of the market (above 3.5 tonnes) respectively.

The continuing search for alliances in the European truck industry – as elsewhere in the world automotive industry – is being driven by:

- ever increasing product development costs;
- growing environmental pressures and the imposition of tougher emissions controls;
- the integration and liberalisation of the European road haulage industry with the emergence of a smaller number of big international players in the transport industry;
- the threat of a future slowdown in the economy.

Mr Sten Langenius, president of Volvo Truck, said recently that the truck industry must "prepare itself to meet even tougher emissions standards than those discussed and planned for today." He warned that new levels of product development and investment would be required to meet the emissions levels which could now be foreseen.

"The money involved will be of such a magnitude that a consequence will be the restructuring of the truck and truck component industry world-wide."

The process of harmonisation and deregulation of the transport sector resulting from the creation of the internal market within the EC is expected to lead to heavy pressure on the truck-makers to reduce costs. Deregulation earlier in the US has already led to much tougher competition in the American market.

"Large professional transport companies will gain at the expense of smaller ones. The competition between the big companies will force a reduction in freight rates," said Mr Langenius. Powerful customers would push the industry for lower prices in return for large volumes, squeezing profit margins.

Mr Langenius said that the most important consequence of the European integration process for the heavy duty truck industry would be the drive for low product cost in combination with low operating costs for the customer.

These demands together with increasing product development costs – arising from pressures for longer service life, greater vehicle productivity, improved safety and fuel economy, and action on emissions and noise – would all combine to reduce the profitability of the industry. This would contribute to further shake-outs and mergers.

As all these pressures grow the truck industry is preparing for a period of falling sales after the record demand of the past two years. Demand has already weakened in the US earlier this year, and European truck-makers are now bracing themselves for similar falls.

There is optimism that the industry will not plunge into the sort of deep recession that marked the early years of the 1980s, but for European truck-makers the painful restructuring of the 1980s is still an uneasy recent memory.

CONTENTS

WORLD TRUCK INDUSTRY 2

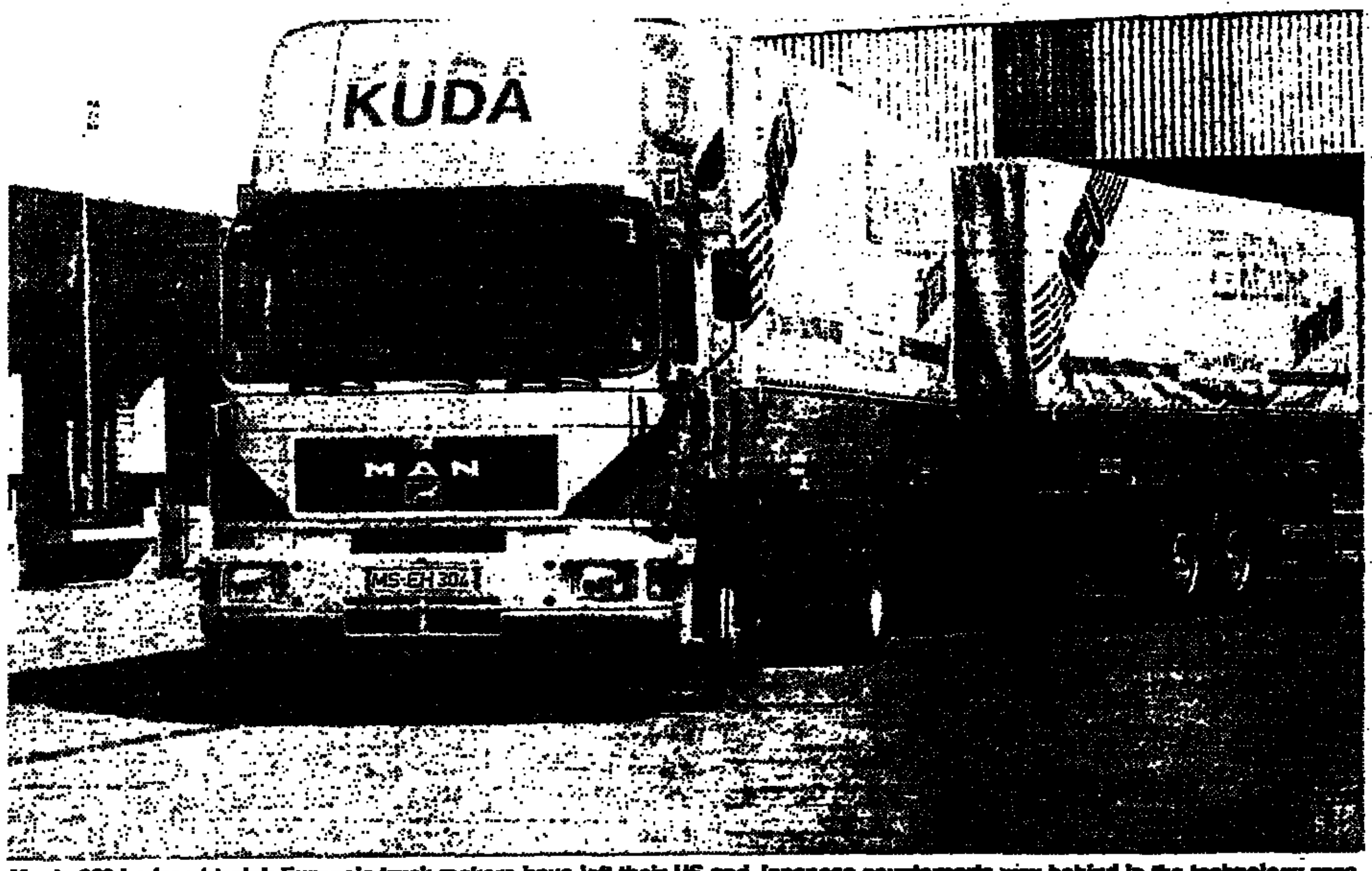
EUROPE

Western Europe commercial vehicle production over 3.5 tonne GVW by manufacturer

	1988	% share	1987	% share	% change
Mercedes	101,360	25.6	91,748	26.5	10.5
Iveco	82,169	20.8	69,811	20.1	17.7
Renault RVI	53,357	13.5	44,641	12.9	19.5
Volvo	40,491	10.2	35,399	10.2	14.4
Leyland Daf	33,135	8.4	28,765	8.3	15.2
Scania	27,926	7.1	27,261	7.9	2.4
MAN/VW	25,075	6.3	23,423	6.8	7.1
Enasa/Pegaso	11,099	2.8	9,517	2.7	16.6
AWD	5,762	1.5	1,747	0.5	229.8
Motor Iberica	5,230	1.3	4,299	1.2	21.7
ERF	4,222	1.1	2,955	0.9	42.9
Seddon	2,430	0.6	1,861	0.5	30.6
Foden	1,689	0.4	828	0.2	101.3
Dennis	583	0.1	542	0.2	7.6
Terberg	306	0.1	117	0.0	161.5
Faun	183	0.0	140	0.0	30.7
Shelvoka	97	0.0	115	0.0	-15.7
Ginaf	67	0.0	66	0.0	1.5
Sovam	18	0.0	19	0.0	-5.3
GM/Bedford	0	0.0	3,506	1.0	-100.0
FTF	-	0.0	16	0.0	-100.0
TOTAL	395,189	100.0	346.779	100.0	14

Source AID/Yearbook 2 1989

Demand looks to have peaked



Man's 260 hp 'road train': Europe's truck-makers have left their US and Japanese counterparts way behind in the technology race

Western Europe commercial vehicle registrations over 3.5 tonne GVW by manufacturer*

	1988	% share	1987	% share	% change
Mercedes	75,199	24.8	71,765	25.7	4.8
Iveco	63,126	20.8	55,073	19.7	14.6
Renault RVI	35,665	11.8	31,910	11.4	11.8
Leyland/Daf	26,894	8.9	24,644	8.8	17.2
Volvo	27,685	9.2	26,677	9.6	4.5
MAN/VW/OEAF	23,514	7.7	22,840	8.2	3.0
Scania	19,353	6.4	19,661	7.0	-1.6
Enasa/Pegaso	8,284	2.7	7,687	2.8	8.0
Motor Iberica	4,481	1.5	3,937	1.4	13.8
ERF	3,741	1.2	2,509	0.9	49.1
Seddon Atkinson	2,241	0.7	1,759	0.6	27.4
Steyr	1,917	0.6	1,500	0.5	27.8
Foden	1,504	0.5	696	0.2	116.1
GM/Bedford	905	0.3	1,227	0.4	-26.2
Mitsubishi	718	0.2	829	0.3	-13.4
Hino	431	0.1	419	0.2	2.9
Toyota	208	0.1	335	0.1	-37.9
Mazda	188	0.1	276	0.1	-31.9
Isuzu	134	0.0	185	0.1	-27.6
Others	5,154	1.7	5,041	1.8	2.2
TOTAL	303,584	100.0	279,170	100.0	8.7

*Includes Airlos, excludes buses

Source: AID Yearbook 1989

IN WEST Europe demand for trucks has begun to weaken in the final quarter of the year. A strong first half has ensured that overall sales have surged again to a record level for the *third successive year, but* forecasts suggest that demand will decline in both 1990 and 1991 before picking up again slowly during the first half of the 1990s.

For the moment, however, the industry does not appear to be facing a repeat of the turmoil of the last recession in the early years of the 1980s.

"We have passed the peak in demand. The market will go down but we do not foresee that the 1980-83 drama will be repeated," Mr Sten Langenius, president of Volvo Truck, one of the world's top three heavy truck-makers, said recently.

He warned, however, that "the risk for a rather dramatic down-turn in the heavy truck market in 1992-93 should not be neglected. I do not think it is probable – but it is possible."

The truck industry is a notoriously cyclical sector. Despite the image of a mature industry the overall trend during the past two decades has been of steady if modest growth of close to one per cent a year. However, behind this development lies a dramatic picture of peaks and troughs.

"It is almost impossible to forecast how the market will develop in the short and medium terms, even though we are certain that the long-term trend is upwards," said Mr Giorgio Garuzzo, chief executive of Iveco, the commercial vehicles subsidiary of Fiat of Italy earlier this year. The battle has been to reduce the break-even point to cope with the troughs, while maintaining sufficient flexibility to be able to meet the peaks in demand.

What has happened in the second half of the 1980s has exceeded even the industry's wildest expectations

From the nadir in 1975 of *sales of less than 300,000 trucks* (3.5-tonnes gross vehicle weight and above which includes all light, medium and heavy trucks) demand rose sharply to a peak of 422,000 in 1979. The industry then plunged into another trough which finally reached its lowest point in 1984 with sales of 333,000.

As red ink washed over the truck-makers' profit and loss accounts it took an act of faith in the mid-1980s to believe that a bright future lay ahead. Several players did not survive the shake-out.

What has happened in the second half of the 1980s has exceeded even the industry's wildest expectations. By 1987 demand at 432,000 trucks had recovered to the previous peak of 1979. The surge continued through 1988 with sales reaching a record 485,000, and the strength of demand in the first half of 1989 appears to have taken sales to a new peak this year.

The financial recovery of the industry has been equally dramatic. Renault Véhicules Industriels, the commercial vehicles subsidiary of the French state-owned automotive group, finally clawed its way into the black in 1987, the first time the truck group had made a profit since its formation in 1974. Helped by a financial restructuring in 1987 RVI achieved a net income (before profit sharing and minority interests) of FFr 183m. In 1988 RVI's net profit jumped to FFr 1.2bn and in the first half of this year profits climbed by a further 56 per cent.

'We have passed the peak in demand. The market will go down but we do not foresee that the 1980-83 drama will be repeated'

RVI is an extreme case, but the industry's financial recovery can be read out of the balance sheets of all of Europe's truck-makers, big and small.

ERF, the last independent publicly-quoted UK truck-maker, which came perilously close to financial collapse in the early 1980s struggled back into profit in the financial year ending March 1987 with a pre-tax profit of £718,000 after having made losses in four of the previous six years. A year later it had recovered to a profit of £5.6m and in 1988-89 pre-tax profits climbed again by 40 per cent to £7.84m.

With perfect timing DAF of the Netherlands chose the first half of 1989 to launch itself on the stock market with a flotation on the Amsterdam and London stock exchanges.

With the DAF flotation, international investors have, for the first time, been given the opportunity to place their *bets squarely on a leading* European commercial vehicles maker, without having to invest at the same time in everything from washing machines (Daimler-Benz) to fighter aircraft (Saab-Scania), assorted foods from pickled herring to tomato ketchup (Volvo) and volume cars (Fiat) in order to enter the sector.

Launched at Fl 47.00 per share the DAF issue was *strongly over-subscribed,* but sentiment in the financial markets has become more sceptical in recent weeks, and the DAF shares have been trading below the issue price at around Fl 45.00 per share in November.

DAF has emerged as one of the most active truck-makers in Europe in seeking to grow through acquisition, most notably to date through its merger with the then chronically loss-making Leyland truck operations in the UK in 1987. As part of the takeover it also acquired the Freight Rover van business.

The takeover was completed just as the European commercial vehicle market was moving into high gear, and Mr Aart van der Padt, chairman of the DAF management board, admits that the performance of the British operations has exceeded the company's most optimistic hopes. "By every measure of performance we have exceeded what could reasonably have been expected at the time of the merger," he says.

The impact of the merger on DAF's fortunes has been dramatic. From an output in 1986 of 15,600 vehicles from its Dutch and Belgian plants at Eindhoven and Westerlo, DAF increased its output to a total of 55,767 vehicles last year. This included 19,581 from the Dutch and Belgian operations, 15,678 trucks from the Leyland plant and 20,508 vans.

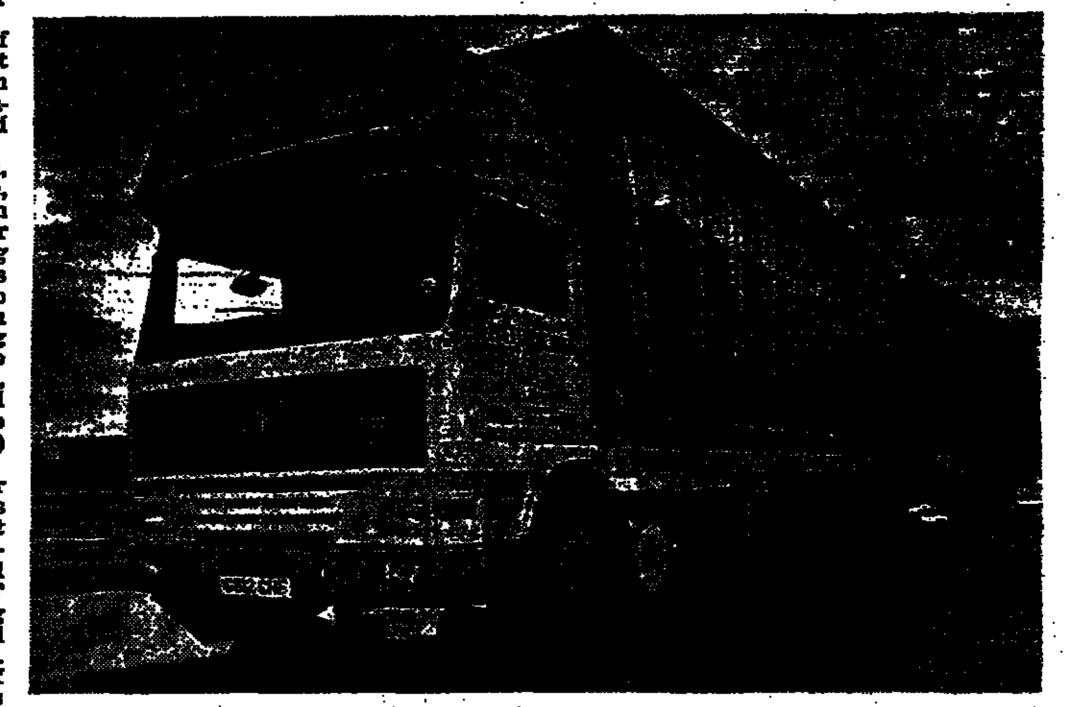
DAF was pipped at the post by MAN of West Germany two months ago as it closed in for the takeover of Steyr-Daimler-Puch's truck operations, but it is currently competing strongly for the takeover of Enasa in Spain.

Propelled by the Leyland merger DAF has increased its share of the West European market for trucks above 3.5-tonnes to 9.4 per cent from 5.3 per cent in 1986, making it one of the big five producers in Europe.

Still clearly ahead of DAF last year was Renault Véhicules Industriels with 11.4 per cent, Iveco of Italy, the producer with the most broadly spread European production base, with 20.6 per cent and Daimler-Benz of West Germany, the clear market leader with 23.7 per cent. Volvo claimed some 9.2 per cent of the market least year.

In the heavy truck segment (16-tonnes and above) the competition is tighter as six producers fight it out with shares varying between the 13.7 per cent of Volvo and the 8.1 per cent of MAN of West Germany, all trailing in the wake of the dominant market leader Daimler-Benz with 19.1 per cent. In this segment Iveco claimed a *share last year of 13.1 per cent,* RVI 12.7 per cent, DAF 11.6 per cent and Scania of Sweden 10.8 per cent.

Kevin Done


Volvo's F10: in the European heavy truck segment Volvo enjoys a 13.7 per cent market share

THE EC SINGLE MARKET

Comic relief on road to reform

THE development of the European Community's transport market has displayed elements of comedy over the last 30 years which would not have looked out of place in a French farce. Nevertheless, progress towards integration is taking place, following agreement between the 12 Community states on the completion of a single market in goods and services by 1992.

According to the Treaty of Rome, a Common Transport Policy similar to that agreed for agriculture and fisheries *should* have been introduced as long ago as 1970. It has been held up by the complexity of the issues involved, and by a single-minded pursuit of national interests by a number of national governments.

Most of the pressure for a common policy has come from the European Commission, supported by the governments of the UK, Belgium and The Netherlands, which believe liberalisation would benefit their domestic transport industries. Opposition has been led by France, which fears the impact of deregulation on its protected domestic haulage industry, and *West Germany, which fears* for the competitiveness of both road haulage and railways.

The European Court ruled in 1985 that the failure of national governments to implement a common transport *policy is* a breach of the founding treaty. As a result, the embarrased national governments rapidly reached agreement on the first phase of a common policy – *the phasing out of bi-lateral* quotas for commercial vehicle trips across national boundaries by 1992.

The agreement was later threatened by renewed opposition from West Germany, but a compromise was reached under which the number of Community-wide EC licences was increased by 40 per cent in each of the past two years. The Community *is* committed to phasing out bilateral quotas by January 1993.

There has also been solid progress on a number of other fronts, including the abolition of border controls within the Community by 1992.

Equally important is the introduction on January 2 1988, of a Single Administrative Document for goods moving within the Community. This replaces around 100 customs forms in use throughout the Community, and was accompanied by the introduction of a new customs tariff, based on an international harmonised system of nomenclature.

Less progress has been made in a number of other areas, however, including agreement on the extent to which harmonisation of the national financial, legislative and administrative regimes for transport is essential before full liberalisation of intra-Community operations.

West Germany, in particular, has insisted within the Council of *Ministers on harmonisation* in advance of further liberalisation – a strategy which is regarded by most other governments as tantamount to a blocking tactic because of the complexity of bringing the details of 12 national systems into line.

Harmonisation is particularly sensitive in the UK, where the maximum weight of *lorries is restricted to* 38 tonnes, compared with 40 tonnes or more elsewhere in the Community. The UK Government has until 1999 to overcome environmental opposition to the higher weight, and appears determined to wait until the last moment before amending its domestic legislation, in spite of pressure for early change from hauliers.

The UK limit means British hauliers are at a disadvantage in international operations because they are forced to run two separate fleets. The UK has reluctantly conceded, however, that standard 16 metre trailers can be used on British roads from January, and demand for these longer units is expected to increase substantially over the next year.

The area which has created *the greatest fears among transport* operators is cabotage – the carriage of goods within the boundaries of one Community country by an operator registered in another. The Commission initially proposed two alternative forms of limited liberalisation, both of which were regarded as insufficient by the UK, Belgium and The Netherlands, and too radical by West Germany and France.

A serious attempt to break the deadlock was made in the spring, when Spain, then the holder of the presidency of the Council of Ministers, proposed a compromise which would have made 5,000 three-month cabotage licences available to companies throughout the Community.

However, the idea was never put to the vote because of opposition from France and Germany. France, which took over the presidency in the summer, subsequently proposed a watered down version *of the Spanish plan* revolving around one-month licences, but that was rejected by the more liberal member states.

The next move is unclear, although Belgium, The Netherlands and Luxembourg are working on a plan to introduce cabotage throughout the Benelux region next year as a means of showing that it can work. France is likely to put the Spanish proposals back on the table in the next few months, but no-one is betting on an early agreement.

The scale of the problem is huge. A study by Ernst and Whinney, the UK accountants, concluded recently that the cost of lorries running empty throughout the Community was around £830m a year, of which some 20 per cent was related to regulatory difficulties.

Looking at the problem from another angle, the Belgian Road Haulage Association recently suggested that movements between EC countries represented *only 5 per cent of* the total Community haulage business. This would mean that cabotage would open 95 per cent of the total market to competition.

The Belgian RHA suggested that the immediate economic impact of cabotage would probably be fairly small, and that initial progress was most likely to be made through joint ventures and cross-border co-operation between companies.

UK organisations like the Freight Transport Association and companies such as NFC, TDG and Christian Salvesen have tended to agree, although some companies have begun acquiring Continental businesses as a way of getting a foot in the door quickly.

Most British companies see big opportunities for growth on the Continent, and a series of reports by academics and industry researchers has suggested that UK companies have little to fear from deregulation, and much to gain.

Kevin Brown

WORLD TRUCK INDUSTRY 3

John Griffiths on the likely introduction of tougher emissions control regulations

EC's search for common standards

IVECO, Fiat's commercial vehicles division and Europe's second-largest truck-maker, estimates that by now more than one-third of the cost of designing new truck engines is incurred in pollution control factors.

Against that background, its senior executives and those from other leading truck manufacturers argue that manufacturers are entitled to have an orderly, international legislative framework within which to work – a framework which so far has been denied to them.

In Europe, for example, according to Iveco's managing director Mr Giorgio Garuzzo, there should be five and 10-year schedules clearly set out for the reduction of emissions, to avoid the divisions and market-distorting uncertainties which have so bedevilled European Community progress towards common car emissions standards.

He is supported by experts at DAF, the Anglo-Dutch truck maker. They point, for example, to the so-called "Stockholm" group of Austria, Switzerland, Sweden and Norway, which is working to stricter standards than those envisaged in the EC. "The environmental problem is a real international problem and only a pan-European solution is appropriate," insists DAF.

Perhaps remarkably, until recently EC legislation on exhaust emissions from trucks has concerned itself only with the smoke nuisance factor.

Gaseous pollutants – the nitrogen oxides and carbon monoxide which have so exercised the minds of EC politicians and bureaucrats in regard to petrol-powered cars – will only start to be controlled by EC legislation from October 1990.

Initially, the standards proposed will be relatively easy to meet – but it is of concern to truck-makers that there is no firm timetable for the progressive tightening of standards envisaged throughout the 1990s.

That manufacturers are taking the issue seriously was illustrated at the Frankfurt motor show, where a variety of 'green' trucks were on display, demonstrating emissions-reducing technology ranging from soot particulate traps to extra air injection using pressured air from the vehicle's braking system

Life is likely to start getting tough for the manufacturers inside the EC from late 1992 onwards, when further sharp reductions in permissible emissions are expected. Compared with the October 1990 standards, nitrogen oxide emissions would require to be cut by nearly 40 per cent, carbon monoxide by 55 per cent and hydrocarbons by one half. For the first time, too, there would be restrictions on particulate emissions.

Achieving these reductions, as DAF experts point out, is far from easy because of the complex relationship between the emissions. Achieving a reduction in one area often means an increase in another.

Missing from the standards, furthermore, is any reference to carbon dioxide – the root cause of global warming known as the "greenhouse" effect.

That manufacturers are taking the issue seriously was in evidence at the recent Frankfurt motor show, where a variety of "green" trucks were on display, demonstrating emissions-reducing technology ranging from soot particulate traps to extra air injection using pressured air from the vehicle's braking system.

The show also provided a fierce rebuttal of criticisms of diesel engines as "dirty" from the chairman of Daimler-Benz, Mr Werner Neifer, who insisted that "modern diesel engines are on a par with petrol engines fitted with closed loop, three-way catalytic converters."

Daimler-Benz recently unveiled a diesel engine in which particulate emissions are reduced by 40 per cent compared with predecessors, while US truck manufacturing group Navistar – formerly International Harvester – is shortly to launch what it describes as "the world's first fully-integrated smokeless diesel for trucks."

Iveco's Mr Garuzzo stresses: "Our prime objective is to make the diesel engine ecological and we are devoting special attention to particulate emissions."

As part of the push, Iveco has been developing ceramic particulate filters, initially on urban buses. By the end of this year about 300 buses will be operating them on an experimental basis.

A particulate trap is an exhaust filter which traps the sooty particulates, which are periodically burned off and harmlessly oxidised at high temperatures.

By the mid-1990s it is widely expected that all truck diesels will be turbo-intercooled, as much to reduce emissions as increase truck performance, probably using variable-displacement turbochargers already under advanced development by companies such as Garrett AiResearch of the US.

Turbocharging of truck engines, in combination with cooling of the air in the fuel mixture (intercooling) has helped the anti-pollution cause because it makes engines more efficient and leads to the exhaust gases being burnt more cleanly.

DAF experts say improved combustion and injection systems should also be capable of decreasing emissions further while, they suggest, there is still considerable room for improvement in the quality of diesel fuel – a factor which should be subject to tighter EC regulation, they argue.

Current EC standards put a maximum 0.3 per cent limit on diesel fuel's sulphur content, which contributes directly to particulates.

The engine manufacturer Cummins, for one, would like to see a .05 per cent limit. However, this would mean greater investment in refining by the oil industry and possibly push up diesel prices by a world average of around 3 per cent.

Alternative fuels are also undergoing investigation, particularly methanol, which is made from coal or natural gas.

However, warns Mr Garuzzo, "we are in a very tricky area because the use of a fuel other than diesel opens up a series of problems – of safety above all – and then brings in supply logistics and company infrastructure problems as well."

Other methanol problems include its relatively low volatility, creating starting problems in cold weather; its low volumetric efficiency – twice as much volume is needed for the same energy as diesel fuel; and it burns with an invisible, and thus potentially dangerous, flame.

There are also indirect means of cutting the level of emissions, as DAF points out. For example, it would be aided by any improvement in road transport efficiency, such as cabotage, better planning of goods distribution by properly exploiting computing power and mobile communications, and by using fewer, larger trucks.

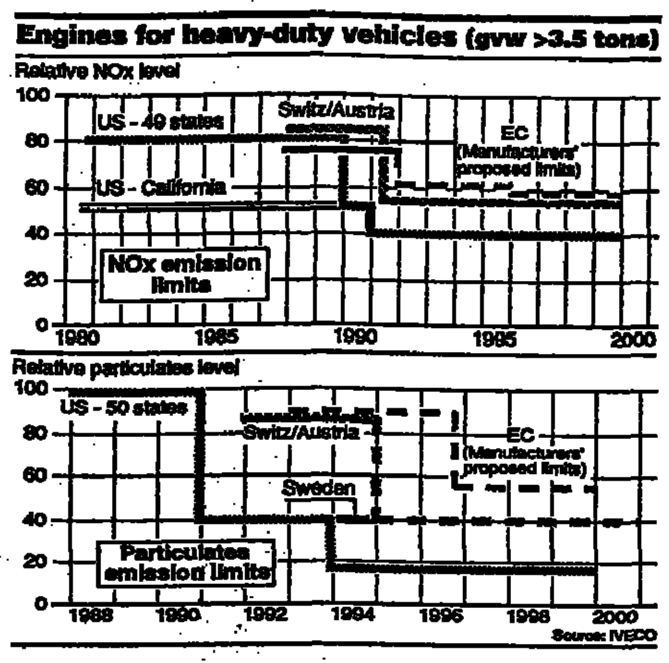
DAF itself has difficulty in putting precise figures on its own spending in environment-related areas. It is contained within the 5 per cent of turnover it spends on R&D, but there is overlap, such as turbo development also benefitting emissions.

In Europe, some industry executives argue there should be five and 10-year schedules clearly set out for the reduction of emissions, to avoid the divisions and market-distorting uncertainties which have so bedevilled EC progress towards common car emissions standards

Meanwhile, North America is already on course for much tougher anti-pollution legislation for trucks, for phasing in between 1994 and 1996, despite the protests of its motor industry, which asserts that physically it is impossible to meet the more severe targets.

Los Angeles is even considering a total ban on the internal combustion engine early in the 2010.

Engines for heavy-duty vehicles (gvw >3.5 tons)



Source: IVECO

West German road haulage

Classic case of a protected sector

WEST Germany can boast some of the most sophisticated international transport companies in Europe such as Kuehne & Nagel or Hapag Lloyd. But the sub-sector road haulage is a stronghold of small companies clinging to the pre-Second World War market regulations which keep them in existence and which prevent the European Community from fully liberalising road transport.

Germany is not the only obstacle to EC road haulage deregulation but it is one of the most immovable and is currently becoming less, rather then more, open to compromise.

Road haulage is the classic case of a protected German service industry which fears it will lose out, at least initially, from liberalisation. Operating a 38-tonne truck in Germany is estimated to cost at least 10 per cent more per year than in the Netherlands, home of Europe's most efficient haulage industry.

German hauliers bear not only close to the heaviest vehicle and fuel taxes in the EC but are also on average less than one-third the size of Dutch companies, which – not surprisingly – carry 72 per cent of German-Dutch trade. The average German company has between one and five lorries and does little cross-border business; the average Dutch company has 14 lorries and is much more international.

The industry is a stronghold of small companies clinging to pre-Second World War market regulations

This is partly because of a government decree of 1931, designed to protect the railway system from competition, which continues to regulate the number of haulage companies, what they can do, and the tariffs they can charge. Consequently, of today's 45,000 hauliers (with a collective annual turnover of about DM12bn), only 9,000 are licensed for long-distance work within Germany and none of them faces real domestic price competition.

Neither the industry nor the Government has been able to prevent an EC inspired increase in quota-controlled cross-border business. All quotas are due to be abolished by 1993 but before that date Germany – with some support from the EC Commission – wants two principles established: harmonisation of the EC's widely differing road taxes, and the "territoriality" principle by which lorries, as far as possible, pay the costs they create where they create them.

Under pressure from the powerful road haulage lobby, and because of genuine anxieties about the effects on the more environment-friendly rail system, Germany wants tax harmonisation at a high level – in other words close to its own level and far too high for the Dutch.

It also feels particularly disadvantaged by the absence of a territoriality principle, even more difficult to establish after borders go down, as it has no motorway tolls and has a disproportionate amount of through lorry traffic.

Because of lack of progress in both these areas Germany has decided to take unilateral action to mitigate the effect of increased cross-border business on its own industry. At the end of October the Bonn Cabinet announced that from May 1990 all lorries would have to pay an annual toll for using major roads – DM1,000 for a 22-tonne lorry, up to DM9,000 for a 44-tonne vehicle.

The toll is aimed at foreign lorries but because direct discrimination is not allowed it has been applied to German lorries too. Craftily, however, the Germans reduced road tax on their own lorries by a similar amount to the toll so it is effectively only a tax on foreigners. Road tax for Germans is coming down from about DM10,000 – which was the second highest in the EC – to a maximum of DM2,700.

Germany may face legal action over this move either from the Commission or from another EC country. The Dutch are the most likely to take action. Mr Willem van dem Toorn, of the Netherlands Embassy in Bonn, says that the new rules would increase costs by about DM100m per year for the Dutch industry and for many companies raise costs by a potentially ruinous 5 per cent.

There is one further area of dispute: cabotage. If allowed this would give hauliers registered in an EC country the freedom, currently denied, to do business between two points *within* any other country. On grounds of efficiency, and even environmental protection, it makes sense to cut down on the large number of empty journeys that lorries make because of the block on cabotage – costing about £150m a year according to a study by accountants Ernst and Whinney.

A recent Spanish proposal for an experimental quota of cabotage licences was not greeted with enthusiasm by either France or Germany. Also, if cabotage does come, there is no indication that Bonn is prepared to abandon its complex fixed tariff system for the foreign companies doing business within Germany.

The main business organisations within Germany are on the side of liberalisation but the small haulier lobby has, if anything, been strengthened since Mr Friedrich Zimmermann took over as Transport Minister. He comes from Bavaria where there is an especially vocal group of hauliers.

The Bavarians are particularly hostile to making concessions to the EC because of the problems they are facing from the Austrian Government. From December 1 the Austrians will impose a ban on night driving through the country by foreign lorries and are raising the emission control requirement for foreign lorries.

However, EC pressure to ease the impact of the ruling – by exempting perishable products such as milk and vegetables – appears to have paid off. Nevertheless unpleasant scenes are expected at the border. Bad tempers will certainly not improve the atmosphere in Brussels.

David Goodhart

UNITED STATES

Air of gloom prevails

AFTER several years of accelerating profits, US truck makers are once more bracing themselves for a recession after successfully recovering from one that severely shook the industry in the early 1980s. Sales are falling and the air is thick with talk of layoffs and plant closures.

"After reaching demand levels not seen since 1979, the truck industry is in the early stages of a cyclical downturn," said Mr Charles Harris, in an industry report for Oppenheimer, a New York brokerage firm. Heavy truck sales, which were extremely strong in 1988, fell off late in the second quarter and show no signs of reviving by the end of the year.

Heavy-duty truck orders fell by about one-third during the third quarter of this year and fourth-quarter earnings across the board are expected to fall below earlier expectations.

Navistar, which reported a 41 per cent plunge in its recent third quarter earnings, has said it will cut production and lay off some of its workforce as a result of the falling orders. The company has already had to suspend production at two plants. However, Navistar has been cutting costs and modernising which may help make it less vulnerable to volatile demand, according to Ms Pamela Gelles of Standard & Poor's Financial Services.

Ford Motor, which earlier in the year announced ambitious plans to triple its North American heavy-duty truck expenditures over the next five years, has also recently suspended production at two plants.

The market's lack of confidence in the truck business is reflected in the stock prices of Mack Trucks, Paccar and Navistar. Shares of these three big truck manufacturers have been trading in New York at near historic lows.

The outlook is particularly bleak at Mack Trucks, which has posted losses for the first three quarters of the year. The Allentown, Pennsylvania-based company, was hit first by the high costs of introducing new products and then by the contracting market. The company has nearly halved its production and cut its workforce by about 20 per cent.

Furthermore, Mack is one of the the most vertically integrated US truck makers, manufacturing everything from its its own transmission to rear axles. According to Mr Steven Colbert, an industry analyst at Prudential Bache in San Francisco, Mack will have a tough time in a recession because of higher overheads.

Paccar has fared somewhat better thus far. Truck order backlogs have been large enough to enable the Seattle-based company to maintain production at near-capacity for the first nine months of 1989. Based on current backlogs, Paccar expects to continue production at nearly the same level for the remainder of the year.

However, with truck orders falling for the entire industry, Paccar's third quarter US order backlogs were about 12 per cent lower compared with the previous quarter. It expects further production cuts next year.

The market's lack of confidence in the truck business is reflected in the stock prices of Mack Trucks, Paccar and Navistar. Their shares have been trading in New York at near historic lows

Although the industry downturn now seems inevitable, the devastation may not be as severe as it was in the early 1980s, when the effects of recession were made worse by coinciding with trucking deregulation.

On a more positive note for US truck-makers, the Japanese have not had much success penetrating the US truck market. Although the US remains Japan's biggest market for exported trucks, Japanese exports to the US are falling steadily. They were down 10 per cent in 1987 and 27 per cent to 644,514 units in 1988, according to the Japanese Automobile Manufacturers Association. The bulk of Japanese trucks sold in the US are lightweight vehicles.

"The Japanese are not much of a threat to US manufacturers because they don't have the distribution network here," said Mr Colbert. "In addition, American customers like to specify their truck components and the Japanese companies tend to build the entire product."

According to Mr Colbert, the only way the Japanese presence is likely to grow is through mergers or buy-outs of US companies. This is how the European presence in the US grew during the last downturn 10 years ago.

In the recession of the early 1980s, several big US truck makers were salvaged by European companies. West Germany's Daimler-Benz bought Freightliner, Sweden's Volvo rescued White Motors and recently took on General Motor's heavy truck operations and Renault effectively controls Mack Trucks.

GM, which 10 years ago was the second biggest seller of class 8 vehicles, has essentially ceded its truck operations to Volvo. The Volvo GM Heavy Truck became a legal entity in December 1986 but did not become operational until the start of this year because 1987 was used for behind-the-scene rationalisation. The company is now in the first stage of a three-phase expansion programme which could make it a contender for top status in the world heavy truck market by the middle of the next decade.

However, any extra capacity will make things even more competitive in the shrinking US market. Industry watchers have little hope that demand will pick up soon. "Given the general economic slowdown we are expecting, there is little chance truck demand will revisit recent peaks any time soon," said Mr Harris.

"There is still one wild card," he added. New fuel emission standards will go into effect in 1991 and engine makers are changing designs to meet the new requirements. Since truckers are generally conservative and cautious about new designs, Mr Harris believes there may be heavy buying in 1990 ahead of the new regulations.

Not all analysts agree that sales will pick up ahead of the 1991 changes. Even more stringent emission standards will go into effect in 1994, according to Mr Colbert. If so, large capital outlays for trucks may be delayed until then.

Karen Zagor

Chris Perry on the strong domestic market in Japan

State spending underpins market

JAPAN'S domestic truck market is still riding a two-and-a-half year uptrend in demand deriving mainly from vigorous government investment in the public sector. But increasingly strict engine emission standards, tax changes and a more sophisticated customer have sent truck-makers looking in new directions for ways to win and maintain domestic market share.

A three per cent consumption tax, which became effective in April, was the main drawback to have hit the industry this year, officials at the Japan Automobile Manufacturers Association (Jama) say. Since commercial trucks attracted no commodity tax before April, total truck sales in March rose to 421,238 units, then promptly fell to around 207,000 units and 202,000 units over the next two months.

Undaunted, Jama officials expect the upward sales trend to continue in line with the overall health of the economy, specifically with a continued rise in transportation needs for imported goods and vigorous capital spending by government and the private sector. As proof, they point to September's 10.6 per cent rise in domestic sales of small and standard-sized trucks over last year.

Although production of standard-sized trucks actually fell 2.8 per cent in 1988, domestic sales of all trucks rose 9.5 per cent to 2.98m units, with light trucks (small pick-ups, vans and multi-purpose vehicles) leading all categories, up 16.6 per cent to 1.2m units. Midget trucks accounted for more than half of total sales and standard-sized trucks, with 5.7 per cent of the market, rose 27.9 per cent, according to Jama.

For the period from January to September last year, nearly 145,000 standard-sized trucks were registered in Japan, up 10 per cent over the previous year, Jama said.

But the big four truck-makers are preparing themselves for changes. Hino Motors, Japan's biggest seller of diesel trucks, is shifting emphasis towards cargo vehicles and away from construction vehicles, reflecting a shift from public spending toward private investment, according to data in Jama's 1989 annual report.

Officials at Nissan Diesel, which stands in 4th place behind Mitsubishi Motors Corp and Isuzu in total diesel medium and heavy-duty truck sales, say former sales criteria that stressed economy and reliability will be superseded by consumer demand that focuses on safety, environment and harmony with surroundings. Nissan plans to overhaul its Condor 6-tonne flatbed, the vehicle it says has spearheaded its rapidly increasing market share in the heavy-duty sector.

Data from Hino shows that in 1988 Nissan Diesel enjoyed a 21.1 per cent share of the home market behind Isuzu's 22.8 per cent and Mitsubishi's 25.1 per cent share. The other 31 per cent belonged to Hino. Industry data shows Nissan Diesel is also making strides in the medium-duty sector where the company has been increasing market share faster than its three more entrenched rivals. The company notched 32 per cent year-on-year increases in the medium-duty category in 1988, and recorded 35 per cent and 26 per cent increases in 7-8 tonne and 5-6 tonne categories from January to September this year.

Not surprisingly, the speciality maker of diesel engines puts much stock in the development of a low pollution emission engine for the 1990s, calling it a top priority for the industry.

In October tougher Nitrogen Oxide (NOx) emission standards went into effect for 2.5-tonne and above category diesel commercial trucks. In November, the Environment Agency is expected to announce strict mid-term regulations due to take effect in three to four years. In addition, long-term regulations now in the offing will reduce the current NOx emission allowable by 50 per cent, industry sources say.

"The NOx problem is still our biggest headache," says Mr Hagime Ito, deputy director of the Ministry of International Trade and Industry's automobile division. The current allowable emission of NOx is around 42 per cent, the amount allowable when the Government first began regulating NOx levels in 1974, he says.

So urgent is the NOx issue that the Ministry of Transport and the Environment Agency are now proposing an incentive programme designed to scrap about 750,000 trucks now in use that hit the roads before NOx emission standards were stiffened in 1979.

The programme will offer truck-owners low interest loans as well as a cut in vehicle taxes if they swap their old trucks for new ones. While a first attempt stalled when it was first initiated last year, due to a lack of response, the authorities decided to sweeten the package, reducing interest on truck loans from the Japan Development Bank to 5 per cent or 6 per cent, compared with 10 per cent through dealer outlets. In addition, the improved programme would offer vehicle tax breaks and an accelerated depreciation allowance. The objective is to get rid of all the NOx offenders within three or four years, Mr Ito says.

About 4.7m diesel trucks currently roll on Japan's roads. Of these, Mr Ito says about a third are in the 2.5 tonne and over category, the trucks targeted by the programme.

While trucks under 2.5 tonnes are often used for intra-city scrambling to negotiate congested, narrow streets with few parking spaces, the over-2.5 tonne category includes trucks used for freight transport between cities. Pollution levels near the thoroughfares connecting Japan's business centres, as well as in the cities, have reached critical levels again since they bottomed out in 1982, Mr Ito says.

"Aggregate effects of the trade-in programme will be very large if all measures are implemented," he adds.

Some industry experts doubt that regulations and incentives now pending will help expand the market. Owners of commercial trucks keep their vehicles for a fairly set period and the replacement cycle is predictable. Owners buy during economic upswings and dispose of vehicles after eight years, says Mr Stephen Marvin, car industry analyst with Jardine Fleming Securities.

While growth in commercial trucks has been strong in the past couple of years, more than 20 per cent for light and standard-sized trucks in 1988 and strong so far in 1989, "the general outlook is flat or may actually decline as the replacement cycle winds down and things slow," Mr Marvin says.

Since March, when owners rushed to buy new trucks before the April consumption tax took effect, sales have recovered some momentum, but the growth rate has slowed substantially and Mr Marvin predicts sales will be "at best flat or will even decline next year."

Although the outlook for the domestic market looks a bit cloudy, taxes on light trucks have dropped, a boon to light truck sector leader Toyota, whose Hilux pick-up and Land-cruiser have helped it secure a 38.1 per cent market share in the first nine months of 1989, up from 37.5 per cent in the same period in 1988. Figures for Nissan Motor, number two in light trucks, were 28 per cent and 25.7 per cent respectively for the same period.

The light truck market is also receiving a boost from the popularity of multipurpose 4WD vehicles and vans that are the rage with the affluent youth sports-leisure users. As the Japanese government encourages people to take vacations and avoid working more than five days a week, so the ranks of scuba divers, windsurfers, and skiers are swelling.

The sporty new 4WD vehicles offer both utility and a chance to differentiate from the masses, especially while idling in traffic jams en route to and from weekend getaways. Jama officials say 53,000 multipurpose vehicles were sold from April to September this year, up 61 per cent over 1988.

The trend toward more comfort, styling and safety has also begun affecting larger trucks. Pressure to come up with innovations to meet new market tastes has triggered some unexpected features that truck-makers plan to offer.

Nissan Diesel exhibits at the 1989 Tokyo Motor Show featured a traffic eye rear-end collision warning device that operates on radar and an infra-red laser beam. Other accessories included a hot water shower, lavatory, fitness bar, mosquito net, interior green planter and hammock.

The two foreign truck entries at the show, Volvo and Mercedes Benz, brought in their big trucks. Foreign trucks are rare on Japanese highways, but the two companies are chasing a small but choice niche in the long-haul tractor trailer market.

Only Volvo and Mercedes sell over-450 hp engines in the Japanese market, a Mercedes spokesman said. Volvo spokesman Mr Thomas Appelbom said the long-haul tractor trailer market is experiencing 40 per cent annual growth and accounts for about 2,000 out of the total 70,000 trucks sold annually with above 20-tonne gross volume loading capacities. Volvo inked an import agreement for its trucks with Isuzu in early October, under which 10 Isuzu dealers will handle Volvo truck sales in Japan.

JAPANESE TRUCK OUTPUT: 1989

	1988	1987
Daihatsu	483,087	435,963
Fuji	318,838	386,602
Hino	74,124	65,817
Honda	220,843	219,227
Isuzu	411,393	397,653
Mazda	339,631	344,983
Mitsubishi	613,609	638,515
Nissan	426,122	422,389
Nissan Diesel	47,196	35,933
Suzuki	549,510	570,881
Toyota	960,178	930,210
Others	481	414
TOTAL	4,443,990	4,358,087

Source: Automotive News

Increasingly strict engine emission standards and the recent introduction of a consumption tax have sent truck-makers looking in new directions for ways to win and maintain domestic market share

John Griffiths on US component-makers' confident moves abroad

Eaton coup paves the way

EATON Corporation, the US vehicle components and electrical controls group, pulled off something of a coup last year when Nissan decided to instal Eaton's US-produced Roadranger transmissions in its heavy trucks sold inside Japan itself.

Nissan had been specifying Eaton transmissions in trucks built for export markets for some time. But for Eaton to supplant Japanese-made units for the Japanese domestic market was seen as further vindication of the US group's strategy of investing heavily to become a global supplier of complex, high-value vehicle components.

Eaton, and some other large US component groups such as Rockwell International, Cummins Engine and Dana Corporation, have staked a large part of their future on the belief that truck manufacturers increasingly see their role as assemblers of vehicles, rather than component makers.

In this scenario, component-makers with extensive investment and research and development capabilities should be able to develop more sophisticated, higher quality components than any individual vehicle manufacturer could achieve.

In return for assuming much greater responsibility for designing and developing components on behalf of a manufacturer, the component-maker would enjoy a much closer, interdependent relationship with the manufacturer — and longer, more secure supply contracts.

Key components, like transmissions, axles and even engines, would then be sold to a broad spread of vehicle-makers around the world.

So far, in spite of financial difficulties currently besetting Cummins Engine in the form of a steep downturn in sales in the US truck market, the underlying approach has been justified, particularly in Europe.

Rockwell axles, for example, are widely fitted by European truck-makers, not least by Fiat's commercial vehicle arm, Iveco. Many come from Rockwell CVC, a joint venture making "world" truck axles at Cameri in Italy, which having matured into a successful operation with 100,000 units-a-year capacity, has been re-assigned to the full ownership of Rockwell. Some $160m has been spent on plant and machinery.

The company has also invested heavily in Rockwell Automotive (UK)'s Maudsley factory at Stratford-on-Avon, UK, a 50,000 unit a year capacity axle-making centre which operates on a 'just-in-time' basis and supplies Iveco-Ford, ERF and Seddon Atkinson, among others.

European-produced transmissions from the Eaton and Dana corporations similarly have been adopted by a wide array of truck-makers, while Cummins' 10-litre diesel has become one of the most widely-used engines in the global truck industry.

At Rockwell, there has been a steady broadening of the range of its vehicle components to embrace brakes, clutches, on-board electronics and transfer cases and, in the US at least, Rockwell is making virtually complete drivelines. A similar trend is possible for Europe.

The overall benefits of the strategy being pursued are showing up in Rockwell's turnover. Its world sales in the heavy and light vehicle sectors have risen sharply, from $1.15bn in 1986 to more than $1.5bn last year.

Diversification has been geographical as well. Rockwell operates manufacturing facilities in 15 countries, principally in the US, Canada and Brazil but with four in Europe: in the UK, West Germany, France and Italy.

The spread underlines the pressures on the sector as the truck industry's international boundaries continue to change. Mr Arthur Ronan, president of Rockwell's automotive operations, stresses that "we face intensifying global competition where success hinges on our ability to provide a broad line of advanced, high quality, cost competitive products."

Eaton operates five truck component plants in Europe, controlled from its European headquarters at Hounslow in the UK. All are geared to producing components tailored for the European market.

Most have been developed at Eaton's engineering development centre, set up in Manchester seven years ago and which is playing a pivotal role in developing the products for Eaton's long-term strategic plans for exploiting the European trucks sector.

The company is relying very much on its own, self-funded innovations to build its market presence. It has caused a stir in the industry on several occasions during the past few years, for example, when unveiling successively more technologically advanced heavy truck transmissions.

They include a semi-automatic, compound ratio gearbox which requires the driver to move only a fingertip-controlled gear lever, without having to resort to either a clutch or adjusting engine revolutions while making the gear change.

Backed by research and development spending currently totalling around $120m a year, Eaton is now progressing towards fully integrated truck drivelines, in which engine, transmissions and clutch would be operated as an integrated system under microprocessor control.

Joint ventures, where deemed appropriate, form an integral part of Eaton's growth strategy. Inevitably, the Japanese feature strongly — in the past year one joint venture with Nittan Valve of Japan has begun making engine valves in South Carolina and a powdered metal components venture with Sumitomo has come on stream in North Carolina.

But Eaton is also teaming up with the Europeans in North America — in the form of a joint venture with Valeo of France to make truck clutches.

Piece by piece: Rockwell International's assembly line installation of a door-module system

European Heavy truck producers: 16 tonnes and above*

	1984	1985	1986	1987	1988
Daimler-Benz	43,000	39,000	41,000	43,000	49,000
Volvo	27,000	27,000	27,000	29,000	34,000
Iveco (Inc Iveco-Ford)	18,000	21,000	22,000	24,000	29,000
Scania	22,000	21,000	26,000	27,000	28,000
Renault	19,000	19,000	20,000	22,000	27,000
Daf	17,000	21,000	18,600	21,000	23,000
Man	17,000	14,000	15,000	14,000	17,000
Enasa Group	8,000	7,000	8,000	10,000	11,000
Pegaso	6,000	5,000	6,000	8,000	9,000
Seddon/ Atkinson	2,000	2,000	2,000	2,000	2,000

*Estimate

Source: Volvo Truck

DEVELOPING COUNTRIES

Sales buoyed by foreign aid

IF TRUCK demand in the industrialised countries takes a breather — as seems likely — manufacturers will be keen more than ever to take advantage of sales opportunities in developing and Third World regions such as the Middle East, Africa and south-east Asia.

During the early 1980s, when truck sales in western Europe and North America nosedived, part of the slack was taken up by strong demand from oil producing countries whose new found wealth was spent on a variety of truck consuming projects aimed at improving their infrastructure and promoting economic development.

By the mid-1980s, however, the majority of these outlets had effectively come to a standstill; demand fell alarmingly, and high stocks resulted in depressed price levels for whatever trucks were sold. For many developing countries, notably those in Africa, the lack of foreign exchange is the big limiting factor.

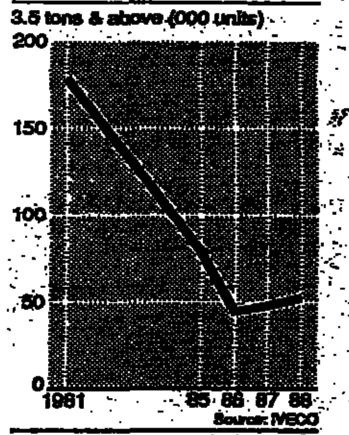
Under these circumstances, one of the most important factors determining truck demand is the level of aid granted by the richer countries. Industry sources suggest that about 50 per cent of truck sales to the Third World is aid-related in one form or another.

It follows that truck suppliers based in donor countries which are more generous than the norm stand a better chance of picking up business. British truck manufacturers indicate that their competitors in, for example, France, West Germany and Japan benefit from the higher levels of aid provided by the governments of these countries.

West European and Japanese producers are the main suppliers of trucks to the developing world. From Britain both AWD (Bedford) and Leyland DAF are well represented in Africa, with links going back many years. AWD is making a determined effort to regain ground which was lost during the final years of General Motors' ownership of Bedford. Its TJ model, now around 30 years old, is receiving a facelift and the company is anticipating a rise in sales from a modest 2,000 in 1988 to 2,750 in 1991.

Exports outside Western Europe

3.5 tons & above (000 units)



AWD trucks are assembled in several countries including Morocco, Nigeria and Sudan, and — further east — Bangladesh and Pakistan. Renault is strong in West Africa and Iveco in Central Africa where the high level of Italian aid is a decisive factor. West German makes have been highly favoured in the Middle East.

As might be expected, the Japanese are aggressive competitors throughout the developing world and have used low prices as their key to market entry. Like some of the early Japanese cars, Japanese trucks have been reliable but durability has been less satisfactory. Japanese manufacturers typically use high tensile steel for a truck frame which is fine until it cracks; then the unskilled use of welding torches to effect a repair results in weaknesses developing in the frame's structure.

This is especially worrying in view of the overloading that often takes place. European manufactures have long known that a truck rated to carry, say, 10 tonnes will frequently have a load several tonnes heavier, and have equipped vehicles accordingly.

South Korean manufacturers are potential competitors but do not appear so far to have made any notable impact. For one thing there is a shortage of trucks in South Korea itself and therefore the scope for mounting a sustained export initiative has been missing. US producers are conspicuous by their absence, apart from a flurry of activity in the Middle East during the period when oil revenues were flowing fast.

By western standards the majority of trucks used in developing countries have traditionally looked old fashioned and are very unsophisticated. Bonneted vehicles have been favoured for a variety of reasons. They are considered to be more robust than forward control vehicles and are probably kinder to the driver insofar as he is not sitting on top of the front axle — an unpleasant experience given some of the road conditions. Also, there has always been the assumption that bonneted trucks are easier to service.

The current trend, though, is clearly towards forward control trucks. Manufacturers are less and less willing to produce a separate range of bonneted vehicles since they are unable to secure worthwhile economies of scale on the limited production runs involved. Access to the vital mechanical parts is easily facilitated with a tilt cab and hence the ease of servicing argument used to favour bonneted trucks is increasingly difficult to justify.

However, although the new ranges of forward control trucks look more like their counterparts on western roads, their detailed specifications will remain quite different. In

For European manufacturers perhaps the best opportunities lie in south-east Asia

the absence of a comprehensive servicing network, the emphasis is on designing a vehicle which will reach its destination come what may.

The three key considerations are: reliability, ruggedness and ease of servicing. Complexity in the form of such features as air suspension and advanced electronics are out. High ground clearances are essential. Also, it is preferable to have engines which are not too highly powered; drivers tend to use whatever power is available, and the faster the truck's speed the more damage is done on the rough roads characteristic of the Third World.

An interesting feature is that trucks in developing countries are frequently used to carry people rather than goods, and consequently some large orders arise over the need to replace — or add to — bus fleets. In Zaire, for example, a typical "bus" comprises an articulated tractor unit with a 16 metre trailer, and throughout the developing world many buses are based on truck chassis fitted with locally produced bodywork. This helps to standardise spare parts requirements.

An important issue arises over the desirability of importing built-up vehicles from Europe or Japan as opposed to establishing a local assembly operation. The latter is obviously a positive input to the local economy, but it is a more expensive method of sourcing trucks — and quality often leaves a lot to be desired. Even so, there are plenty of operations.

For example, through subsidiaries and associate companies, DAF International is involved in several assembly facilities in Africa. The largest is in Zimbabwe where around 1,000 vehicles annually are assembled from kits shipped from the Netherlands and the UK.

The cost of transporting kits rather than built-up trucks is less expensive, but the savings are more than wiped out by the costs incurred by the factory at the other end which carries out the assembly operations. For this reason the World Bank is tending to grant aid on the basis of purchasing built-up trucks from Europe; in this way the recipient country obtains more trucks for the aid money allocated.

Industry sources suggest that about 50 per cent of truck sales to the Third World is aid-related

It is never easy to predict with confidence the outlook for demand in these regions since experience shows that ordering patterns can be somewhat volatile.

There are hopes that overall truck sales in developing countries will grow over the next few years in spite of the uncertain outlook for the world economy as a whole. In developing countries the possibility of improved aid packages can only act as a positive factor. In Africa, for example, there is substantial latent demand but problems persist over the lack of foreign exchange.

In the richer countries of the Middle East the worst excesses of the boom in the early 1980s have by now worked through and there is more confidence that the area as a whole faces brighter economic prospects. A slight increase in business has been noted recently, but it would nevertheless be unrealistic to expect a return to the free spending days of the early 1980s. For European manufacturers perhaps the best opportunities lie in the fast developing south-east Asian countries.

Arthur Way

Arthur Way on European truck-makers in North America

A rapid market penetration

IN THE car sector several European automotive companies have tried but, for the most part, not succeeded in establishing a long term manufacturing presence in North America. Renault sold its stake in American Motors to Chrysler and Volkswagen closed its US assembly plant.

With trucks, however, it is another matter. In the important heavy duty truck sector known as Class 8 (above 33,000lb GVW) the US affiliates of Daimler-Benz, Renault and Volvo account for around 40 per cent of the market.

Of the three, Daimler-Benz has achieved the greatest level of market penetration. Retail sales of Freightliner, its wholly owned subsidiary, totalled 24,164 in the US during 1988 to account for just over 16 per cent of Class 8 demand. This placed it in third place in the market behind Navistar and Paccar. Mack, affiliated to Renault, came fourth with 21,846 sales and a 14.7 per cent market share, while Volvo GM Heavy Truck Corporation came fifth with 17,089 sales (11.5 per cent market share).

All three also have a marginal representation below Class 8. Daimler-Benz assembles a few thousand Class 6 (19,501lb-26,000lb GVW) and Class 7 (26,001lb-33,000lb GVW) trucks a year with components imported from West Germany and Brazil, while both Mack and Volvo GM market built-up trucks imported from Europe.

In all cases the Europeans became involved by lending a hand or taking over the assets of independent US companies which had run into trouble.

Daimler-Benz owns 100 per cent of Freightliner, Renault owns 45 per cent of Mack — through its commercial vehicle subsidiary RVI — and Volvo owns 76 per cent and has management control of Volvo GM Heavy Truck Corporation; the remaining 24 per cent is held by General Motors.

If Renault exercised all its rights in Mack it would take its holding to more than 50 per cent. In the case of Volvo GM, General Motors has the option to increase its stake to 35 per cent. Freightliner is an important part of Daimler-Benz's global truck production network which is aimed at establishing world sourcing arrangements. Since the middle of 1989, for example, kits of Freightliner's 112 bonneted truck have been shipped to Australia for assembly by the Mercedes-Benz facility in that country.

Renault's involvement with Mack goes back to 1979 when it acquired a 10 per cent holding together with some convertible debentures in order to provide the American company with some much needed finance.

During the 1980s Renault has become increasingly committed to Mack while the latter has gone through a period of

World's leading producers of 10-16 Tonne GVW*

	1984	1985	1986	1987	1988
1 Navistar	32,000	36,000	33,000	34,000	41,000
2 Ford	49,000	51,000	39,000	39,000	40,000
3 GM	43,000	41,000	34,000	36,000	40,000
4 Daimler-Benz	33,000	37,000	36,000	37,000	36,000
5 Renault	12,000	10,000	11,000	11,000	15,000
6 Iveco (Iveco-Ford)	9,000	10,000	10,000	11,000	14,000
7 Volvo	5,000	4,000	6,000	5,000	6,000
8 Man-VW	5,000	8,000	8,000	7,000	8,000
9 Isuzu	3,000	9,000	3,000	4,000	5,000

*Estimates. Source: Volvo Truck

rationalisation which, among other things, has involved a big reduction in the workforce and a move away from the in-house manufacturing of components. A new truck manufacturing plant was opened at Winnsboro, South Carolina, in 1987 but production and supplier problems took about a year to sort out.

More recently, evidence has been mounting to suggest that Mack is once again experiencing a bumpy ride. Substantial losses are expected to be incurred during the second half of 1989 largely as a consequence of production problems with its new engine range and reduced demand in the US for heavy trucks.

Volvo's entry into the sector dates from the acquisition of White Truck to form Volvo White. At the start of 1988 this group combined with the Class 8 truck interests of General Motors' Truck and Bus Group.

Quite independently, the latter continues to produce trucks below Class 8 under the GMC nameplate. Volvo and GM both saw the advantages of pooling resources to achieve greater economies of scale in manufacturing as well as streamlining the dealer network.

Distribution is now carried out through about 200 dealers who have been selected from among the strongest of the 550 or so former Volvo White and GMC Class 8 outlets. Significant investment has taken place over the past couple of years including the expansion of an assembly plant in Virginia and a cab manufacturing plant in Ohio.

Also in Ohio, the company's third assembly plant commenced operations at the start of 1989 and a central parts warehouse has been constructed. Volvo GM Heavy Truck Corporation plans to increase output to enable it to take a 20 per cent share of the North American Class 8 market by 1992. At that time annual output should be running at 23,000 units and imports of lighter trucks from Sweden are expected to be about 2,000 units.

Daimler-Benz, Renault and Volvo would clearly wish to increase sales of their European produced trucks through US dealerships, but so far volumes have been small and there are scant grounds for anticipating any noticeable improvement in the medium term.

Competing on price against well entrenched and high volume domestic producers such as Ford and Navistar, the European players are asking rather a lot — not least in the context of prevailing currency parities. Transport costs are high too.

In any event, US operators appear comfortable with the characteristics of the local product and show few signs of favouring the imports.

Increasing the use of European sourced sub-assemblies such as engines, axles and gearboxes in US assembled trucks is a much more likely development, albeit one which will take time to catch on. European and US truck producers subscribe to different philosophies with regard to truck specification, and this in turn has influenced operator preferences.

As a rule, the continental European companies believe that the engine is the heart of the truck, and credibility is lost by not producing the major sub-assemblies including engine, axles and gearbox. In contrast, US truck producers have traditionally sourced from outside suppliers such as Cummins, Eaton and Rockwell for these items. In their US operations the Europeans have had to accept the American way of doing things.

For Volvo, for example, it is simply not an option to alienate its US customers by fitting Swedish produced sub-assemblies as standard, although they are being offered as options on trucks produced at Volvo GM. Uptake is slow, but at least it is beginning to happen. Moreover, too much demand would have been something of an embarrassment in view of the buoyancy of European truck markets recently, and the consequent tight supply position of components.

NEW MODELS

US, Japan lag in technology race

EFFORTS to make trucks more environmentally friendly have been reinforced in the past two or three years by the threat of ever-stricter legislation. In October 1990 the gaseous pollutants in diesel exhausts become subject to legal control in the European Community, following the example set by the US and Switzerland.

Already the noxious constituents in city bus exhaust emissions are the subject of legislation in several countries, setting the trend for truck technology. New truck models already introduced point the way forward.

Turbocharging is now almost universal on middle-weight and heavy chassis. West Germany's Mercedes Benz is the notable exception. A naturally-aspirated 15-litre V8 diesel is fitted in two of Mercedes' heavy 38-tonne models, the 17265 and 17295. The company's engineers say that with turbocharging, which harnesses the energy in the exhaust gases to draw more induction air into the engine enhancing performance and fuel economy, there are attendant shortcomings.

Higher internal temperatures are generated which unfortunately raises the level of nitrogen oxides (NOx) created by combustion. Most manufacturers have now added so-called intercoolers to their turbo diesels. They use atmospheric air, or in some cases engine cooling water, to reduce the temperature of the very hot air coming from the turbo before it enters the engine.

Intercooling was pioneered by DAF in Holland in the early 1970s, with Volvo of Sweden close behind. All Volvo trucks of 17-tonnes all-up weight or more now have turbo-intercooled engines, which are not only efficient but also "clean", emitting low levels of NOx, hydrocarbons and carbon monoxide.

Scania from Sweden, currently enjoying record sales, despite the travails of its car-making associate Saab, is also wholly committed to intercooling, on its 3-series trucks launched nearly two years ago. Its most powerful 14-litre V8 diesel was then uprated from 420 horsepower to 450 hp, thanks to improvements in "breathing" attributable to turbocharger and intercooler refinements.

Those improvements went hand-in-hand with more advanced fuel-injection techniques, largely a tribute to research and development by the German company Robert Bosch, whose equipment now enjoys a virtual monopoly on European diesel engines in trucks of 17-tonnes and above.

Higher diesel injection pressures, enabling the fuel to be "squirted" into the cylinder more rapidly, have been fundamental to one of the main advances in truck technology over the past decade – greater engine efficiency. The trend was led by the US-owned Cummins company, whose injection systems work on a quite different principle to Bosch's: the US company's injectors are opened mechanically from the engine camshaft.

Almost every new truck model introduced during the 1980s has been more powerful than its predecessor, enabling the vehicle to achieve faster journey times and create fewer traffic hold-ups. But such trucks, as well as having more lively performance, are less demanding on fuel.

Today's 38-tonne articulated tractors from British-based manufacturers like ERF, Foden, Seddon-Atkinson, Leyland-DAF and the Fiat group's Iveco-Ford subsidiary, as well as from importers, return better miles-per-gallon figures than their 32.5-tonne counterparts of the early 1980s.

Though all manufacturers deny involvement, a "horse-power race" has developed in the past three years or so in the heaviest 38/40-tonne segment. Maximum power is only a rough yardstick of real performance. Torque and gear ratio matching are equally crucial in determining acceleration times and hill-climbing ability.

Nevertheless the horsepower rating of the engine figures prominently in every truck builder's publicity material and often in vehicle model designations. As such it is a marketing weapon, of particular value in targeting owner-drivers and other buyers whose purchasing strategy embodies an emotive element. It must be said that most big company fleets choose the trucks they buy with more hard-headed and rational motives where whole-life costing is the rule.

Big horsepower trucks, though bought in smaller quantities, are their manufacturer's flagships, capturing a lot of attention at exhibitions and indeed on the road. Through the early 1970s, Scania led the way with its 420 hp V8-powered 142 chassis, now superseded by the 450 hp 143. It is about to be uprated again to 470 hp through the application of electronic control to its Bosch fuel system.

Several other contenders have challenged Scania. They include Mercedes (492 hp), MAN (475 hp), Volvo (just uprated from 465 hp to 485 hp), and Fiat-Iveco (480 hp). In each case the engine changes have been accompanied by appropriate improvements in cab comfort and trim, befitting the needs of long-distance drivers. In Britain ERF will shortly offer a 38-tonne chassis powered by Cummins' new 465 hp 14-litre intercooled diesel.

Mercedes' 17485, MAN's 17.462, Volvo's F16 and Iveco's Turbostar 170.48 as well as ERF's more powerful E14 model, set standards of engineering refinement and efficiency unchallenged anywhere else in the world. Europe's truck-makers have left their US and Japanese counterparts way behind in the technology race.

Alan Bunting

Andrew Fisher on Mercedes-Benz's bid to boost its Asian market

German giant heads east

Market leader: truck-maker Mercedes-Benz is pressing ahead with plans to expand in the growing south-east Asian sector

MERCEDES-Benz, the car and truck subsidiary of West Germany's Daimler-Benz group, has moved steadily beyond its European base in the search for promising new markets, building up a strong sales position in North and South America and linking its world-wide manufacturing and assembly operations into a comprehensive production network.

But there is one important region where Mercedes, the world's largest producer of trucks above six tonnes, feels itself under-represented; south-east Asia. It has a plant in Indonesia and is setting up a new company in Singapore to handle the marketing of cars and trucks in Asia. From this start, it aims to build up its sales in one of the world's fastest growing markets.

At a time when its car sales have been less than buoyant, commercial vehicles have been forging ahead encouragingly after a period of general stagnation in the industry, though some analysts feel Mercedes has been too slow to bring out innovative new models. Last year, the company lifted its output of commercial vehicles by 10 per cent to 258,000 units, of which nearly 104,000 were made abroad. This was the first time that non-German production of commercial vehicles exceeded the 100,000 level.

Actual truck production, as opposed to transporters and buses, rose by 15 per cent in Germany to 71,500 units, of which 39,500 were in the category above 16-tonnes. In Europe, the whole industry, including competitors such as MAN, also based in Germany, and Sweden's Volvo, benefitted from the sharp rise in demand for heavy trucks, with the re-equipment wave ahead of the wider European Community internal market after 1992 providing a significant impetus.

> **'The future domination of the commercial vehicle market will be decided to a significant extent in south-east Asia'**

The first half of 1989 saw a continuation of this trend, with Daimler reporting above average growth rate for both heavy and light trucks. Among the best performing markets were Britain, Italy, and Spain. In South America, however, the economic problems of Brazil and Argentina led to considerable falls in output and sales.

But in spite of the South American setbacks, the group expects to repeat last year's total commercial vehicle production of around 258,000 units in 1989. Output in Germany was higher in the first six months, with a steep 30 per cent increase in the heavy sector above 16-tonnes. Altogether, commercial vehicles accounted for nearly a third of Daimler's group turnover.

On a recent visit to the US, where Mercedes owns the Freightliner truck manufacturer, Mr Helmut Werner, a director of the Daimler-Benz group, spelled out just where he saw the best prospects for the 1990s. In volume terms, the expectation was for only marginal growth rates in European markets, though there would be considerable quality improvements. But for South America and south-east Asia, estimates were for 4 per cent and 5 per cent growth a year respectively until the end of the century.

Freightliner itself has built up its US market share from 10 per cent to 16 per cent in the 1980s and Mercedes plans to invest around $300m in its transatlantic subsidiary up to the mid-1990s, part of the money going on a new plant in Canada.

"It is clear," said Mr Werner, "that we are moving into a new dimension in North America with this investment programme." Freightliner's turnover this year should rise by 8 per cent to DM3.3bn with the introduction of a new generation of heavy trucks, in spite of the weaker US market.

He did not spell out just how ambitious Mercedes' plans for the south-east Asia were, though admitting there was a growth potential which it had had not yet exploited fully. Clearly, expanding in Asia's variegated markets is very different from building up sales and output in a big, unified market like the US.

But Mercedes plans to develop its truck plant in Indonesia in the next few years, as well as expanding sales in India and other Asian markets. "The future domination of the world commercial vehicle market will be decided to a highly significant extent in south-east Asia," asserted Mr Werner.

> **The company has linked its world-wide manufacturing operations into a comprehensive production network**

IVECO

Catalyst in European market

MR GIORGIO Garuzzo, chief executive of Iveco, the commercial vehicles subsidiary of Fiat of Italy, is fond of saying that Iveco has more than played its part in the restructuring of the West European truck industry.

The company's evident interest in acquiring Enasa, the Spanish state-owned truck-maker, suggests that Mr Garuzzo's appetite has still not been sated, however. The Fiat group has pledged to build a car plant in Spain, if it is successful in acquiring Enasa's Pegaso truck operations along with Seddon Atkinson, its small UK subsidiary.

Iveco was founded in 1975 when five previously independent companies, OM, and the Lancia and Fiat commercial vehicle operations from Italy, Unic of France and Magirus Deutz of West Germany, were merged. With a central holding company registered in the Netherlands, Iveco expanded further in 1986 when it took over management control and acquired a 48 per cent stake in Ford's UK truck operations to form Iveco Ford Truck.

Iveco has largely completed the challenging task of rationalising both its products and the product development and manufacturing operations of the different companies. It plans to continue to produce the Ford Cargo range in the UK, however, at least into the first half of the 1990s.

Iveco Ford Truck is investing some £17.7m over the next three years at its UK plant near London in order to be able to produce a range of Iveco light and medium trucks alongside the present Cargo range in the early 1990s. The UK assembly operations are to be fully integrated into Iveco's overall long-term manufacturing plans.

Across Europe Iveco now has 18 production plants, including components plants, and nine research centres located in Italy, West Germany, France, the UK and Switzerland. Geographically it is the most broadly-based West European truck-maker.

IVECO RESULTS

	1986	1987	1988
Vehicles sold	95,000	118,000	129,000
Turnover ($m)	3,670	5,090	5,660
Market share in Western Europe	16.4%	20.0%	20.2%
Employees	36,000	36,000	39,000

Iveco

It is clearly established as the number two truck-maker in Europe behind Daimler-Benz with some 20.5 per cent of West European truck sales above 3.5 tonnes last year. Its dominant presence is in light and medium trucks, however, and in the heavy truck segment (16-tonnes and above) where it controls around 13.1 per cent of the market, it is in third place behind Daimler-Benz and Volvo.

Iveco produced 120,400 trucks and vans last year, as well as 8,900 buses and coaches, fire engines and defence vehicles. Output included 20,000 heavy on-road trucks, 46,500 light trucks and vans, 38,200 light/medium trucks and 7,300 medium/heavy vehicles.

The group's sales are mainly derived from West Europe, and unlike its big rivals, Daimler-Benz, Volvo and Renault Véhicules Industriels, Iveco has had little impact in the US, where it sold only 2,500 trucks last year. Sales in West Europe totalled 110,700, with eastern Europe accounting for 6,200 and other countries for 9,900.

Its European market share owes much to its dominance in Italy, where it controls around 60 per cent of commercial vehicle sales of 3.5-tonnes and above. Iveco Ford is also the market leader in the UK, however, where it held 24.6 per cent of the truck market above 3.5 tonnes.

Iveco has been seeking to increase its penetration of smaller markets with growth potential in Europe and overseas through a series of joint ventures and licensing agreements, most recently in Yugoslavia and Turkey.

The company's fortunes have improved rapidly in the second half of the 1980s, as it has reaped the benefits both of the rationalisation efforts of the preceding decade and of the strong growth of demand in the last two years.

After running up very heavy losses for five of the seven years from 1978 to 1984, Iveco's net profits have jumped in the last four years from Fl120m in 1985 to Fl516.6m last year. At the same time sales of trucks, buses, fire engines and defence vehicles climbed to 129,336 last year from 94,584 in 1986.

Kevin Done

Iveco's top model, the 360 hp vehicle. The company is the number two truck-maker in Europe with 20.5 per cent of West European sales above 3.5 tonnes last year

RENAULT VEHICULES INDUSTRIELS

Company reborn after painful surgery

RENAULT Véhicules Industriels (RVI), Europe's *third largest heavy truck-maker*, is basking in a spectacular recovery.

As little as three years ago, the group, a subsidiary of the French state-owned Renault car group, was on the brink of collapse, having lost Ffr 7.5bn between 1983 and 1986. It now looks like a reborn company. A painful restructuring programme plus the end of a price war on the French market and a strong upturn in demand allowed RVI to announce record consolidated group profits of Ffr 1.2bn last year, nearly 10 times the previous year's earnings.

Analysts expect RVI to set a profits record of Ffr 1.5bn for 1989 thanks to a strong upturn in demand which has left its plants "strained to the limit," according to Mr Philippe Gras, former RVI chairman and now deputy chief executive of the Renault group under Mr Raymond Levy.

The main fruit of that restructuring programme is a spectacular decline in RVI's *break even point from 78,800* trucks annually in 1984 to less than 35,000 last year. In 1988, it actually sold 80,000 vehicles, 12 per cent of the European market for trucks of more than five tonnes axle weight.

To get to this level of efficiency, RVI has had to shed around 6,000 jobs since 1985, slimming the workforce down to 33,000. However, the notorious volatility of world truck demand and RVI's huge losses when it had surplus capacity early this decade has made Mr Gras extremely cautious over expanding capacity again.

Like others in its industry, RVI is instead on the look-out for cross-border joint ventures and alliances, partly motivated by the European Community's plans for a single market.

The Renault group itself only last month announced a co-operation deal with DAF of the Netherlands to produce light commercial vehicles – though not trucks – in Britain and France.

RVI meanwhile has for some *months been talking to Volvo* Trucks, at the invitation of the Swedish company, about a possible co-operation agreement also involving Enasa, the state-owned Spanish truck-maker. If the deal comes off, the result could be the world's largest heavy truck business.

> **Painful restructuring plus the end of a domestic price war has allowed RVI to announce record consolidated group profits**

There are only two blots on this otherwise bright horizon, Mack Trucks, RVI's 45 per cent owned US offshoot and fully owned Renault Truck Industries (RTI), based in Dunstable, Britain. Mack Trucks has recently swung from an already poor profits record into a sharp loss, while RTI is *aiming to break even this year* after eight years of losses.

The pair are a big challenge for Mr Jean-Pierre Capron, who took over as RVI's chairman in late September. Mr Gras laid the groundwork for his successor before leaving by replacing much of the senior management at Mack and RTI and taking steps to cut Mack's excessive inventories and reduce its break even point.

"We just had not taken sufficient account of what kind of slope we were sliding down," admits an RVI official.

RTI halved its net loss last year to £1.5m, its best result since the formation of the UK company in 1981. It has been suffering from an over-dependence on public sector customers at a time when the main increase in demand has come from the private sector. For this reason, RTI was one of the few UK-based truck-makers last year to lose volume at a time when the market was growing fast.

Mack, in contrast, did manage *an increase in profits from* just $4.1m to $31.8m last year, only to record a sharp swing back into a $18m loss in the first half of 1989 as orders tumbled due to an unexpected collapse in demand.

Mack made matters worse for itself by misjudging the launch of a new line of trucks in May, right into the middle of a weakening market. However, it could not help the fact that it has become a victim of a ferocious price war between manufacturers striving to win vehicle buyers' loyalties in the aftermath of the deregulation of the US truck industry.

RVI officials fear the same thing could happen in France as the European Community goes through its own truck industry deregulation, with the phasing out of country-to-country road haulage quotas by 1993. So RVI's good times may not last.

William Dawkins

WORLD TRUCK INDUSTRY 7

VOLVO

An ambitious predator

MR PEHR Gyllenhammar, Volvo chairman and chief executive, does not lack for ambition. "I believe that Volvo could be twice as big by 1995 and that profits could grow in the same proportion at least," he told Volvo shareholders earlier this year.

If his ambitions are to be realised Volvo's truck operations will have to play a significant role.

Volvo, Sweden's biggest industrial corporation with activities spanning cars, trucks and buses, aerospace, food, marine and industrial engines, construction equipment and trading, already claims to be the world's second largest manufacturer of heavy trucks.

It has played an important role in the restructuring of the heavy truck industry in North America with the successive takeovers during the 1980s of the White Motor (1981) and the General Motors (late 1986) heavy truck operations. Last year Volvo GM Heavy Truck Corporation in which Volvo has management control and currently holds 76 per cent of the equity, captured 12 per cent of the US heavy truck (class 8) market.

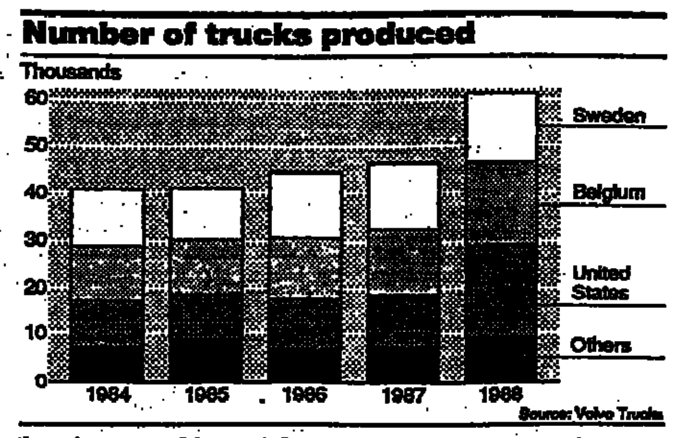
Volvo is now seeking to play a leading role in a fresh round of restructuring in West Europe, where it holds close to 14 per cent of the heavy truck market (16 tonne and above) and is in second place behind Daimler-Benz of West Germany.

Volvo is one of the leading bidders to take over Enasa, the Spanish state-owned truck-maker, although it is facing stiff competition from its European rivals Iveco (Fiat) of Italy, DAF of the Netherlands and MAN of West Germany.

At the same time Volvo has embarked on potentially far-reaching discussions with Renault, the French state-owned car and truck-maker. The content of the talks is still far from clear, and Volvo insisted recently that only "discussions of a preliminary nature" were under way with Renault. Reports in the Swedish press have suggested that the talks could lead to an eventual merger of the two companies' automotive operations, a move which would create the world's biggest truck-maker, overshadowing even Daimler-Benz.

In a recent interview with the Financial Times, Mr Gyllenhammar said that the Swedish group had held "exploratory talks" with Renault Véhicules Industriels, the Renault group's commercial vehicles subsidiary.

"We are trying to find if there is a mutual interest, how attractive we are, what they can offer, what we can offer. They are a company that have restructured and recovered beautifully."



Mr Gyllenhammar said that RVI was strong in France and southern Europe, whereas Volvo had a good position in northern Europe and a larger international coverage of the market. "We could be complementary," he said.

As the profitability of Volvo's car operations has weakened in the second half of the 1980s, the Swedish group has become more dependent on the earnings of its truck activities, which for the first time last year produced a return on capital of more than 25 per cent.

The operating income of the truck operations jumped to SKr 2.645bn from SKr 1.606bn a year earlier and accounted for 36.7 per cent of total group operating income compared with the 50 per cent contributed by the car operations.

In 1985 when car profits peaked at SKr 6.135bn Volvo's truck operations contributed only 14.2 per cent of group operating income at SKr 921m compared with the 94.8 per cent of the car operations (Total operating income was hit in 1985 by losses in other areas of SKr 626m.)

The same pattern has persisted in the first half of 1989 with income from the truck operations higher than a year earlier, while income from Volvo's car operations has declined further.

Volvo's truck operations are concentrated chiefly in West Europe, North America and Brazil — manufacturing operations are located in Sweden, Belgium, the UK, the US, Australia, Brazil and Peru — but it is now also taking its first tentative steps towards establishing a market presence in in Japan and South Korea.

In Korea Volvo signed a co-operation agreement earlier this year with Daewoo Motor to import and distribute Volvo heavy trucks. The agreement also includes plans for future local manufacturing of Volvo trucks in Korea. The first deliveries began this autumn with the F12 8x4 tipper truck.

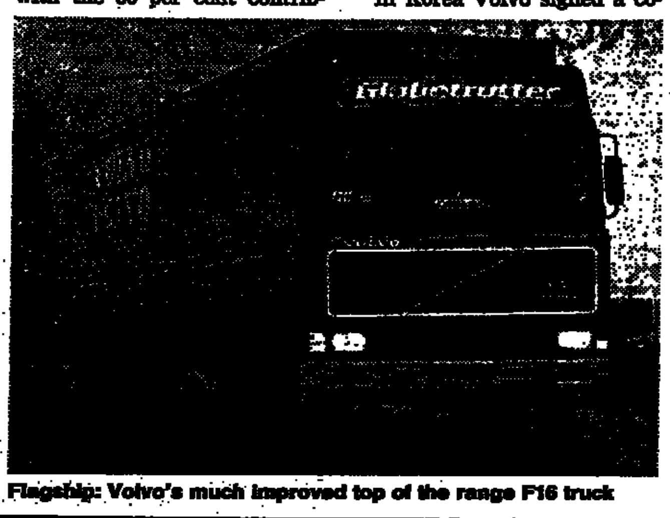
In Japan, the world's second largest individual market for heavy trucks with a volume of around 60,000 in 1988, Volvo has reached agreement with Isuzu Motors to import, distribute and sell Volvo F16 heavy-duty tractor models, Volvo's most powerful truck. The operation will begin in the spring of 1990. The trucks will be sold by selected Isuzu truck dealers with the aim of achieving an initial volume of between 90 and 100 trucks next year.

Last year Volvo derived 57 per cent of its truck sales from Europe, 31 per cent from North America, and the remaining 12 per cent from Latin America, Australia and the Middle East. It produced 60,500 trucks, of which 55,000 had a gross vehicle weight of more than 16 tonnes, giving it a total world market share (excluding China and Comecon) for heavy trucks of 11 per cent, second only to Daimler-Benz.

According to Mr Sten Langenius, president of Volvo Truck Corporation, Volvo is planning significant investments to increase production capacity for cabs as well as driveline component production within the European Community. "Our future capacity increases will take place in the Common Market," he said recently.

Already 80 per cent of Volvo's truck sales within the EC are assembled within the Community, said Mr Langenius. "Our ambition is to have between 60 per cent and 70 per cent local content in our heavy trucks in the early 1990s."

Worldwide Volvo delivered 59,500 trucks to customers last year, an increase of 25 per cent from 47,700 a year earlier, and in the first half of 1989 deliveries were 6.3 per cent higher at 30,500. Mr Langenius warned recently, however, that the peak in demand in Europe had passed, and Volvo's order backlog at the end of June was lower than a year earlier.



Flagship: Volvo's much improved top of the range F16 truck

Kevin Done

SAAB-SCANIA

On course for expansion

THESE are difficult times for Saab-Scania, the Swedish trucks, cars and aerospace group.

This year its car division, badly hit by the falling sales of European executive car makers in the US, has plunged into losses — Skr 1.2bn (£126m) in the first eight months. Talks on collaboration with Ford having failed last month, Saab is now searching for other possible partners to help nurse the cars business back to health.

Aircraft, substantially the smallest of the three main Saab divisions, is going through a lacklustre period in which turnover has fallen slightly.

So chief executive Mr Georg Karnsund and his board have reason to be thankful for the continuing strong performance of the Scania trucks and buses division, even though Scania's own profitability has been nowhere near able to prevent the group's consolidated income for the first eight months being dragged down to little more than half that of the equivalent 1988 period, to Skr 1.003bn (£105m) from Skr 1.964bn (£206m).

The trucks division, which has been bumping up against capacity constraints for some time, is set firmly on an expansionary course.

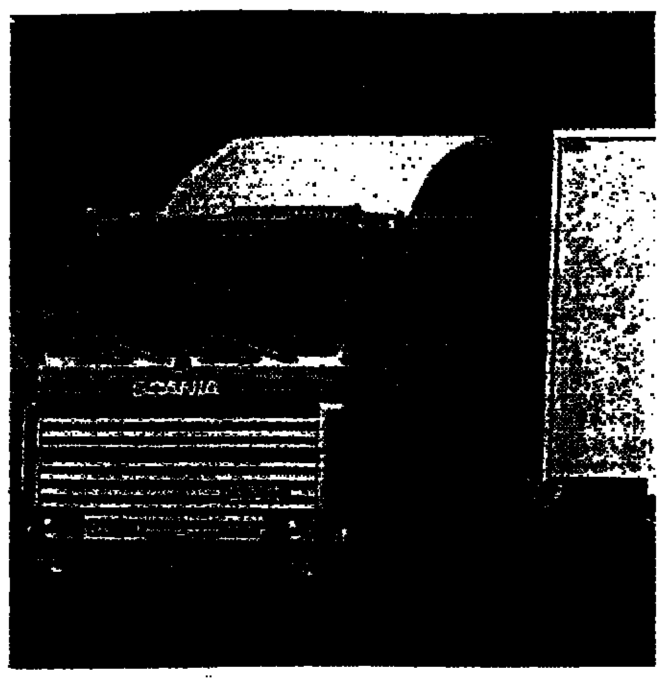
According to Saab-Scania Mr Georg Karnsund, a total of Skr 1bn investments in truck operations will increase capacity by 50 per cent over the next three years. Last year Scania produced 27,926 trucks and 3,916 buses.

The expansion decision has been helped by the fact that there are only slight signs of a long-predicted downturn in the West European heavy truck market materialising, and indications that any such downturn will not fall damagingly below current record levels.

Scania trucks in any case have been outperforming most of the markets in which they sell, including some highly important ones outside of Europe.

As a result, truck sales have risen by 17 per cent in the first eight months, to 22,500 from 19,300 — more than 90 per cent of which were delivered in countries outside Sweden, and executives say there are still big order backlogs.

The capacity increase will be achieved in part by eliminating production bottlenecks. But the group is also considering whether to set up another European production site in addition to its existing operations at Sodertalje in Sweden and Zwolle in the Netherlands.



Scania's truck division continues to turn in the best performance in the otherwise troubled vehicle to aircraft group

The UK, Spain and Italy are all understood to be under consideration, as is the possibility of a second site in Holland.

It is likely that such a venture would be similar in its nature to Scania's Zwolle plant, where assembly work is relatively intensive, including the drilling of chassis rails and engine assembly from components. Scania remains quite vertically integrated, producing most of its own engines, transmissions and axles rather than following the trend of many other truck-makers to reliance on outside suppliers.

The European operations, which produced about 23,000 trucks last year, are complemented by a facility in São Paulo, Brazil, which made just over 4,000 trucks last year, and a fourth at Tucuman, Argentina, where last year's output just topped 600.

The truck and bus operation is substantially the group's largest, employing 24,000 around the world. It is also responsible for the development of Saab car engines and transmissions, as well as industrial and marine engines.

At the same time, Scania has been casting around for ways in which to improve the efficiency of its marketing operations. The principal result of this is a reorganisation, effective from the end of this year, into two new geographical divisions — one comprising Europe and North America, the other all remaining overseas markets. A third new division is to handle all after-sales activities on a global basis.

The reorganisation reflects more strongly a restructuring within Europe, to take account of the expansion of the EC in recent years and its progress towards a single market, rather than dramatic new sales initiatives, particularly in North America.

Scania's activities in the US, the world's single largest heavy truck market, remain on a small scale. That is unlike other European truck-makers such as Daimler-Benz, Volvo and Renault, which have become significant players in the North American market as the result of purchasing earlier in the decade indigenous companies which at the time were in trouble, such as Freightliner and White.

Scania has set up its own North American sales and distribution operation, based at Orange, Connecticut, having launched its first trucks in the US in 1985. Sales reached 600 last year, but Mr Karnsund has acknowledged that progress is expected to be steady rather than spectacular.

John Griffiths

SCANIA TRUCK SALES

	1986 Units	% change	1987 units	% change	1988 units	% change
Sweden	2,191	8.7	2,348	8.6	2,287	8.2
Nordic (excl Sweden)	3,076	12.2	3,180	11.6	2,205	7.9
Western Europe (excl Nordic)	12,645	50.0	15,152	55.3	15,838	56.9
N/S America	5,093	20.1	4,478	16.3	4,829	17.3
Asia	1,148	4.5	1,122	4.1	1,583	5.7
Africa	594	2.3	593	2.2	684	2.5
Other	550	2.2	514	1.9	419	1.5
TOTAL	25,297	100.0	27,387	100.0	27,845	100.0

Saab-Scania AB

SCANIA PRODUCTION

	1986	% change	1987	% change	1988	% change
TRUCKS						
Sderälje, Sweden	12,603	4.1	13,425	6.5	13,394	-0.2
Tucuman, Argentina	676	56.5	777	14.9	628	-19.2
São Paulo, Brazil	4,422	27.7	3,968	10.3	4,164	4.9
Zwolle, Netherlands	7,814	16.3	9,091	16.3	9,740	7.1
TOTAL	25,515	12.3	27,261	6.8	27,926	2.4

EU

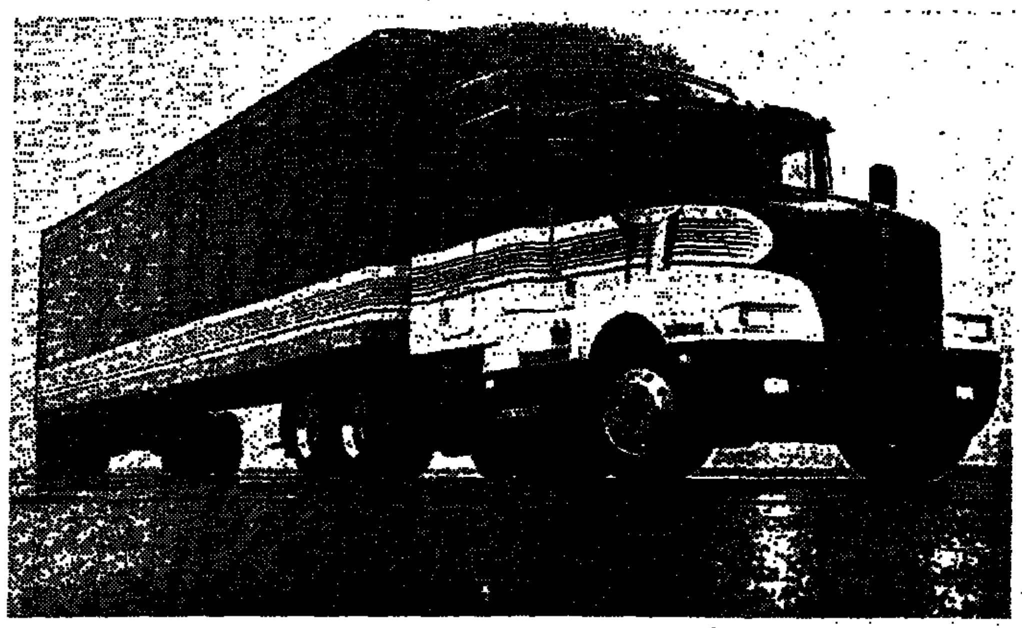
Karen Zagor on US manufacturer Paccar

Ready to weather the storm

PACCAR was one of the few *big truck-makers to* emerge essentially unscathed from the havoc of the early 1980s, when the US truck industry was hit by recession and deregulation. With another slowdown now all but inevitable, Paccar, which makes the highly-regarded Kenworth and Peterbilt brands, is well positioned.

"Historically, Paccar has weathered the slow-down well," *said Mr Steven Colbert,* an industry analyst at Prudential Bache.

Paccar's great strength, according to Mr Colbert, is that *it is one of the least vertically* integrated of the big US truck-makers, concentrating on making the truck shell and relying on others to manufacture components. Consequently, overheads can be reduced quickly in times of recession, making margins at Paccar less volatile than in more integrated companies.



Quality count: Paccar's Peterbilt brand has earned it an enviable reputation

Paccar says this structure will benefit Foden Trucks, Paccar's UK subsidiary, as European truck companies brace themselves for increased competition in 1992.

Some analysts disagree, saying Foden, which has been largely successful since Paccar bought the UK company after it went into receivership in 1980, may be in for a rough ride.

"Foden may have problems in the next few years because of 1992," said Mr Colbert. He believes the effect of 1992 may be more severe in Europe than the US trucking deregulation was in 1980. The main reason is that there is more overcapacity in Europe now than there was in the US before 1980.

One of the problems for European truck-makers is that deregulation will reduce the number of empty miles – such as time spent at immigration and customs – which ultimately will reduce the number of vehicles needed by trucking companies.

Mr. Mark Pigott, Paccar's vice-president responsible for Foden, says Paccar successfully introduced the idea of custom built trucks to the UK market, after the Seattle-based company acquired Foden in 1980.

"It was a relatively new concept, to tailor trucks to meet customer needs," said Mr Pigott. "The long life of our vehicles, their ability to carry extra payload and the custom finish are all important selling points."

Foden's spare part business is also lucrative. "We like to sell trucks at modest profit and sell spare parts at modest profit, unlike most European manufacturers who sell their trucks at a loss and make huge profits on spare parts," said Mr Pigott. Foden led the UK in volume of sales for replacement clutches and air filters, according to Mr Pigott.

Although Foden's UK truck sales fell in the third quarter, Mr Pigott said the company's UK market share had picked up in the period. "In 1989 we had our largest percentage growth in the UK 24-tonne to 38-tonne market," he added. Mr Pigott said industry sales were hurt by higher UK base rates.

"In the past three to four years we have been consistently one of the most profitable truck manufacturers in the UK in gross and sales," he added. Foden has no intention *of curtailing its UK operations.*

"We've just come out with a 6x2 twin steer vehicle, and we're also looking at the feasibility of smaller vehicle in the 1-tonne range," said Mr Pigott.

Paccar says its approach to Foden is essentially hands off. "Each division in Paccar stands on its own but has access to the company's resources such as the research and technical centres," said Mr Pigott. There are only two Americans working for Foden.

ENASA

Pursued by suitors

ENASA, Spain's state-owned truck company that sells its products under the trademark of Pegaso, is an ugly duckling turned swan. A few years back it was spurned at every turn. *Now admirers are queuing for* its attention.

The Spanish government is currently reviewing bids for Enasa by Fiat, by MAN and Daimler-Benz of West Germany, by Holland's DAF and by Volvo of Sweden. The bids range between Pta 40bn and Pta 50bn ($472m-$590m) and a decision on who buys the company is likely before the end of the year.

The present circumstances represent a startling change. In 1982 International Harvester withdrew as Enasa's international partner as part of its world-wide retrenchment policy and the company became wholly-owned by INI, the Spanish public sector holding company. INI cast about desperately for a multinational that would substitute IH: General Motors and Toyota were among the giants that took a long look at Enasa and then walked away.

The present rush of suitors for the Pegaso brand-name is a measure of INI's success in turning the truck company round. The public holding company came to realise that the search for a foreign partner would prove fruitless until Enasa took on the appearance of a viable company. The task looked to be a daunting one for in 1985 Enasa posted losses of Pta 16bn – twice the original forecast – on sales of Pta 63bn and the approach was suitably drastic.

A save Enasa plan drawn up by INI in the first quarter of 1986 earmarked Pta 28bn worth of public investment for the Pegaso producer. The funds were spent on new product technology, on plant improvement and on an expansion of Enasa's export network. Simultaneously, the public holding company negotiated with the unions a 30 per cent cut in the company's 3,600 labour force.

Enasa is an ugly duckling turned swan. A few years back it was spurned at every turn. Now admirers are queuing for its attention

The salvage operation proved remarkably effective. In 1987 the operating deficit was reduced to Pta 12bn and last year it was brought down to Pta 5.5bn. First half revenues this year are Pta 65bn against Pta 116bn for the whole of 1988 and Enasa expects to report a Pta 1bn profit this year. Under the investment plan the return to profitability had been scheduled for 1990.

The new look Enasa has not in any way altered the governing principle that the Spanish truck company can only survive in the mid term as part of a larger auto group. INI holds no illusions as to Pegaso's chances of going it alone.

The public sector company's determination to sell what is the only auto sector company on its books mirrors the manner in which it rid itself of Seat, the car producer which was once linked to Fiat and which was purchased outright by Volkswagen in 1985.

What the Enasa turnaround has done is to create a wholly new set of conditions for the sale. Toyota and General Motors were viewed, much in the manner Volkswagen was looked upon during the Seat sale, as rescuers with a lifebelt for a drowning concern. The present four companies that have declared an interest in Enasa stand to acquire a property that has been expensively refloated.

The Spanish government has accordingly upped the stakes. Confirming that Fiat, MAN, DAF and Volvo had all lodged their bids for Enasa, Industry Minister Mr Claudio Aranzadi said last month that the government would favour a company that, in addition to purchasing Enasa and securing its future, was willing to explore "the possibilities of further co-operation with INI."

The hint that additional strings were attached to the acquisition of Enasa has effectively delayed the sale of the company over the past weeks. There are reports that Fiat is favoured by the Industry Ministry whereas INI itself would prefer to sell Enasa to MAN and Daimler Benz. The latter allegedly offers the public holding company more in terms of industrial co-operation while the Italian auto producer has offered to build its next car plant in Spain as part of the Enasa deal.

Tom Burns

HINO

Overshadowed by Toyota link

HINO *Motors' promotional* brochures are remarkable for their expositions on the company's quality control circles, FMS (flexible manufacturing system) and CAD (computer aided design).

The emphasis on quality of production comes naturally, given the company's close links with Toyota, Japan's largest motor manufacturer *and one that is renowned for* its production expertise.

It was Toyota, for example, that developed the just-in-time assembly system. Toyota has a 10.5 per cent equity stake in Hino, Japan's top maker of diesel trucks, and the two companies' ties go back 23 years.

Indeed, while Hino has *developed into far more than* a Toyota clone, the influence of its gigantic partner on the truck-maker appears sufficient to make one wonder if Hino would still exist, let alone be number one, without the benefits that have come from ties forged between the two companies.

Toyota's *current relationship* with Hino is described by a Toyota spokesman as "a loose arrangement, an agreement to co-operate when possible for mutual benefit."

Thus, on the one hand, Toyota dealers in Australia and in a few other countries sell Hino products. On the other, Hino manufactured 811,264 cars and light pick-ups, mainly the popular Hilux, for Toyota *last* year.

Given the *factors* that forged the partnership between Hino and Toyota, as well as the importance of such ties in Japanese business, it is *doubtful* whether Toyota, with its 85,000 employees and majority share, is ever far from any strategic move made by Hino, with its 8,100 employees.

Mr Eiji Toyoda, chairman of Toyota, wrote in his autobiography "Toyota: Fifty years in Motion" that the idea for the tie-up came from Mitsui Bank, which was tired of throwing money into Hino's loss-making car operations in the mid-1960s.

During negotiations, after *Hino suddenly offered to* quit making its cherished little Contessa in co-operation with Renault, Mr Toyoda refers almost derisively to how "Matsukata scrapped Hino's pride as a passenger car maker, reneged on their obligations to Renault, and grabbed for the alliance with Toyota. This saved his company . . ."

According to Toyota, Hino president Mr *Masanobu Matsukata* wanted a merger, but "seeing that a merger would not have been in Toyota's interest" and risked violating Japan's anti-monopoly law, Toyota pushed for a partnership.

The partnership arrangement won out and Hino began focusing on its big trucks sales network. Toyota then "gave Mr *Matsukata* something to shoot for," telling the Hino president that his company was "in cahoots with the top car-maker in Japan . . . so you've got to reach the *top* in trucks."

Hino has now been number one in domestic sales of medium and heavy-duty diesel trucks for 16 consecutive years. With its relatively small workforce, Hino depends heavily on 16 main suppliers, known as the Hino group.

The backbone of Hino truck and engine production includes *its two works* in the Tokyo area and a foundry combined with a machining plant north-west of Tokyo in Gunma prefecture. Group members *Mitsui Seiki* Kogyo and Hino Auto Body provide additional assembly capacity.

The lean and mean approach seems to have helped Hino in its quest for innovation to meet the demand for vehicles of the 1990s. At the 28th Tokyo Motor Show *earlier* this month, Hino's exhibits included a luxury high-decker sight-seeing bus divided into three differently designed *compartments* and a spacious lounge, equipped with a *state-of-the-art* audio visual system.

While Mitsubishi Motors came within 180 *units* of exceeding Hino's total sales of 25,876 units in the domestic medium-duty trucks sector in 1988 (MMC already sells more buses and small-sized trucks than Hino), Hino is still unrivalled in the heavy-duty truck category (payload over six tonnes or GVW 8.4 tonnes and over).

Besides having the biggest chunk of the domestic market, Hino has led the industry in exports of diesel trucks and buses for 10 years. Although Hino exports plunged about 58 per cent to 18,565 units in 1986 after the devaluation of the dollar, by last year exports had rebounded to 28,292 units, *in* spite of the strength of the yen.

But maturation of the domestic market and the high yen has Hino and others in the industry moving to set up operations outside Japan. Hino is focusing on the US *and* Asia.

While the company admits to lagging behind in the US, where it had only 106 dealers until this spring, it is planning aggressive long-term expansion. It has joint ventures in Taiwan, Thailand, India and Pakistan and a total of 87 overseas distributors.

Hino says it has no plans to try to expand operations in the mature European market, but many analysts think otherwise. It has been showing increased interest in the UK market in recent months, using an Irish assembler, J. Harris Assemblers. This effectively gets around a gentleman's agreement between the Japanese and British motor industries blocking direct exports from Japan to the UK.

Chris Perry